

1 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

2 PLEASE TAKE NOTICE that, on Monday, May 12, 2008, Plaintiff STMicroelectronics, Inc.
3 filed a motion to remand in Related Case No. 05-04691 JF. The motion is attached hereto.

4
5
6
7 Dated: May 12, 2008

SIDLEY AUSTIN LLP

8
9 By: /s/ Russell L. Johnson
Russell L. Johnson

10 Attorneys for Plaintiff
11 STMicroelectronics, Inc.
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

RUSSELL L. JOHNSON (SBN 53833)
rljohnson@sidley.com
EDWARD V. ANDERSON (SBN 83148)
evanderson@sidley.com
TEAGUE I. DONAHEY (SBN 197531)
tdonahey@sidley.com

SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104-1715
Telephone: 415-772-1200
Facsimile: 415-772-7400

Attorneys for Plaintiff
STMicroelectronics, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

STMICROELECTRONICS, INC.,
a Corporation,

Plaintiff,

vs.

ELIYAHOU HARARI, an individual;
SANDISK CORPORATION, a corporation;
and
DOES 1 TO 20, inclusive

Defendants.

) Case No. C 05-04691 JF

) Related Case No. C 08 02332 MMC

) **STMICROELECTRONICS, INC.'S**
) **MOTION TO REMAND DEFENDANTS'**
) **SECOND REMOVAL**

) **Before: Hon. Jeremy Fogel**

) **Date: July 25, 2008**

) **Time: 9:00 a.m.**

) **Courtroom: 3**

) **MOTION TO SHORTEN TIME FILED**

TABLE OF CONTENTS

	<u>Page</u>
NOTICE OF MOTION AND MOTION	1
ISSUES TO BE DECIDED	1
MEMORANDUM OF POINTS AND AUTHORITIES	2
I. INTRODUCTION	2
II. STATEMENT OF FACTS AND PROCEDURAL HISTORY	2
III. ARGUMENT	4
A. Defendants Must Establish Under the Well-Pleaded Complaint Rule that Federal Law Creates ST’s Cause of Action or that ST’s Right to Relief Necessarily Depends on the Resolution of a Substantial Federal Question	4
B. This Court’s July 18, 2006 Order Holding that Federal Question Jurisdiction Does Not Exist Under § 1338 is Res Judicata.....	5
C. Defendants Have Not Perfected Removal Pursuant to § 1446(b).....	8
1. Defendants’ Notice of Removal is Untimely under the First Paragraph of § 1446(b)	8
2. There is Genuine Doubt As to What Constitutes “Other Paper” Under the Second Paragraph of § 1446(b) to Confer Federal Question Jurisdiction	9
3. If Any Paper May Constitute “Other Paper” Under the Second Paragraph of § 1446(b), Defendants’ Notice of Removal is Untimely	9
D. Substantively, ST’s Claims Do Not Necessarily Depend on the Resolution of a Substantial Question of Federal Patent Law	10
1. Construction of Assignment Clauses Under Federal Patent Law is <i>Not Essential</i> for ST to Obtain the Relief It Seeks.....	11
2. The Issue of Automatic Assignment Does Not Create a <i>Substantial</i> Question of the Patent Law	12
3. Defendants’ Argument that Construction of a Patent Assignment Clause Voids Their Statute of Limitations Defense Does Not Establish Federal Jurisdiction	13
E. ST is Entitled to Its Fees and Costs Because Defendants’ Basis for Removal is Frivolous	13
IV. CONCLUSION.....	14

TABLE OF AUTHORITIES

Page

CASES

<i>AT&T v. Integrated Network Corp.</i> 972 F.2d 1321 (Fed. Cir. 1992).....	11, 13
<i>Bd. of Regents v. Nippon Tel. & Tel. Corp.</i> 414 F.3d 1358 (Fed. Cir. 2005).....	12
<i>Beghin-Say Int’l Inc. v. Ole-Bendt Rasmussen</i> 733 F.2d 1568 (Fed. Cir. 1984).....	10, 11
<i>Christianson v. Colt Industries Operating Corp.</i> (1988) 486 U.S. 800	5, 11, 12
<i>DDB Technologies L.L.P. v. MLBA Advanced Media, L.P.</i> 517 F.3d 1284 (Fed. Cir. 2008).....	<i>passim</i>
<i>FilmTec Corp. v. Allied-Signal Inc.</i> 939 F.2d 1568 (Fed. Cir. 1991).....	7
<i>Franchise Tax Bd. v. Constr. Laborers Vacation Trust</i> 463 U.S. 1 (1983).....	5, 13, 14
<i>Gaus v. Miles, Inc.</i> 980 F.2d 564 (9th Cir. 1992)	4
<i>Jim Arnold Corp. v. Hydrotech Sys., Inc.,</i> 109 F.3d 1567 (Fed. Cir. 1997).....	12, 13
<i>Martin v. Franklin Capital Corp.</i> 546 U.S. 132 (2005).....	8, 14
<i>Matheson v. Progressive Specialty Ins. Co.</i> 319 F.3d 1089 (9th Cir. 2003)	5
<i>Moore v. Permanente Med. Group, Inc.</i> 981 F.2d 443 (9th Cir. 1992)	13
<i>Peabody v. Schroll Trust</i> 892 F.2d 772 (9th Cir. 1989)	5, 6
<i>Shamrock Oil & Gas Corp. v. Sheets</i> 313 U.S. 100 (1941).....	4

1	<i>Speedplay, Inc. v. Bebo, Inc.</i>	
2	211 F.3d 1245 (Fed. Cir. 2000).....	7
3	<i>Valdez v. Allstate Ins. Co.</i>	
4	372 F.3d 1115 (9th Cir. 2004)	4
5	<i>Wilson v. Sandford,</i>	
6	51 U.S. 99 (1850).....	11

STATUTES

8	28 U.S.C. § 1331.....	4
9	28 U.S.C. § 1338.....	<i>passim</i>
10	28 U.S.C. § 1446.....	8, 9, 10
11	28 U.S.C. § 1447.....	5, 14
12	33 U.S.C. § 403.....	6

NOTICE OF MOTION AND MOTION

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that, at 9:00 a.m. on Friday, July 25, 2008, or as soon thereafter as the matter may be heard, in Courtroom 3 of the above-entitled Court, there will be a hearing, of STMicroelectronics, Inc.'s ("ST") motion for an order to remand this case to the Superior Court for the State of California, County of Santa Clara; and to award ST its just costs and actual expenses, including attorneys fees, incurred as a result of the removal.

PLEASE TAKE NOTICE that, on Friday, May 9, 2008, a motion to shorten time on this motion was filed which requests that briefing in this case be expedited and that this motion be decided without oral argument.

This motion is based on the memorandum in support of the motion submitted herein, the motion for an order shortening time on this motion [Docket No. 100], the Declaration of Russell L. Johnson filed herewith ("Johnson Decl."), the pleadings and other papers already on file in this case, and all other matters presented to the Court.

ISSUES TO BE DECIDED

1. Does an interrogatory answer by ST give rise to a federal cause of action or raise a substantial question of federal law to permit removal pursuant to 28 U.S.C. § 1446(b) as Defendants contend?

2. If so, was Defendants' removal timely under 28 U.S.C. § 1446(b)?

3. If not, was Defendants' basis for removal objectively unreasonable such that ST should be awarded its just costs and actual expenses, including attorneys fees, incurred as a result of the removal?

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

This Court previously held that “adjudication of Plaintiff’s state law claims does not require resolution of a substantial question of patent law.” Ignoring this Court’s unequivocal ruling, Defendants have removed this case a second time, arguing that a federal question exists because federal law governs interpretation of the assignment clause in one of the contracts at issue in this case. Defendants’ argument is without merit and any removal is procedurally barred.

It is well established that the well-pleaded complaint rule determines whether federal question jurisdiction is proper. Under the rule, § 1338(a) jurisdiction extends “only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law.” ST’s complaint has remained unchanged since this Court remanded this case.

This Court’s previous ruling that ST’s complaint raises no issue under federal patent law to confer removal jurisdiction is res judicata. Any argument that ST’s interrogatory response is a sufficient change so as to avoid the res judicata effect of this Court’s prior ruling is frivolous as a matter of law. The assignment issue now raised by Defendants has been at issue in this case since the filing of the complaint, and if federal law governs the interpretation of the assignment clause, this was true when the case was originally removed. Thus, removal is now barred by the time limitations in 28 U.S.C. § 1446(b).

Defendants’ second motion for removal is not objectively reasonable and is yet another example of the dilatory tactics Defendants have used throughout this case to prevent a trial on the merits. ST should be awarded the attorneys fees and costs incurred as a result of Defendants’ second motion for removal.

II. STATEMENT OF FACTS AND PROCEDURAL HISTORY

Defendant Eliyahou Harari (“Harari”) was a co-founder of Wafer Scale Integration (“WSI”), a company that has since merged with ST. Compl. ¶ 7, Johnson Decl. Ex. A. During his tenure with WSI, Harari served several positions, including Chief Executive Officer (“CEO”), Chief Technology

1 Officer (“CTO”), Director, and Chairman of the Board. *Id.* ¶ 9. While Harari was an officer and/or
 2 director of WSI, it was designing and developing flash memory products. *Id.* ¶ 6.

3 Early in his employment with WSI, Harari signed an Employee Agreement Regarding
 4 Confidentiality & Inventions (“Inventions Agreement”). *Id.* ¶ 11. Harari’s Inventions Agreement
 5 provided in relevant part:

6 I will promptly disclose and describe to [WSI] (i) all inventions, improvements,
 7 discoveries and technical developments (‘Inventions’), *whether or not patentable*,
 8 made or conceived by me, either alone or with others, during the term of my
 9 employment ... I *hereby assign and agree to assign* to [WSI] my entire right, title
 and interest in and to such Inventions which relate in any way to or are useful in
 [WSI]’s business as presently conducted or as conducted at any future time during my
 employment.

10 *Id.* Ex. A. (*emphases added*).

11 On February 29, 1988, WSI and Harari entered into a Consulting and Directorship
 12 Agreement (“Consulting Agreement”). *Id.* ¶ 20. The Consulting Agreement disclosed Harari’s
 13 resignation from WSI as an employee and officer. *Id.* The Consulting Agreement also provided that
 14 WSI would continue to nominate Harari as director until an IPO took place, Harari would be a paid
 15 consultant to WSI for 11 months at his then salary, and Harari would “continue to be bound by and
 16 comply with the terms of [the Inventions Agreement].” *Id.* ¶ 21. However, within two months after
 17 ending his employment but still serving in his capacity as a director of WSI and bound by the
 18 obligations set forth in the Consulting Agreement, Harari began filing patent applications without
 19 disclosing them to WSI. *Id.* ¶ 24. Harari filed a total of six patent applications that eventually
 20 resulted in 50 issued patents. *Id.* ¶¶ 24-31. In this case, ST is seeking an ownership interest in those
 21 50 patents because Harari had an obligation to assign them to WSI.

22 In June 1988, Harari founded the corporate entity that became Defendant SanDisk
 23 Corporation (“SanDisk”). *Id.* ¶ 40. Harari assigned the patents that issued from the six patent
 24 applications to SanDisk. *Id.* ¶ 45.

25 ST filed its complaint on October 14, 2005 in the Superior Court of the State of California,
 26 Alameda County on several legal theories to recover ST’s interest in the 50 patents that should have
 27 been assigned to ST and to recover for ST’s losses.

After the complaint was filed, Defendants removed the case to federal court, where it was assigned to this Court as a related case. First Notice of Removal, Johnson Decl. Ex. B. ST's motion to remand was initially denied. However, this Court subsequently granted a motion for reconsideration and remanded this case, finding that the "adjudication of [ST's] state law claims does not require resolution of a substantial question of patent law." Order Granting Plaintiff's Motion for Reconsideration and Remanding Action at 7, Johnson Decl. Ex. C.

After the case was remanded, Defendants filed a motion for judgment on the grounds that ST's causes of action require "the resolution of a substantial question of federal patent law over which federal courts have exclusive jurisdiction." Defendants' Motion for Judgment on the Pleadings at 2, Johnson Decl. Ex. D. On March 11, 2008, the Superior Court denied the motion, holding that:

Defendants have failed to show from the face of the Complaint, or matters judicially noticeable, that any of plaintiff's causes of action are created by federal patent law or that plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law. (*Christianson v. Colt Industries Operating Corp.* (1988) 486 U.S. 800, 809.)

The Complaint in this case concerns a question of patent ownership, a question exclusively for state courts. (*Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997).)

Order re: Defendants' Motion for Judgment on the Pleadings at 1, Johnson Decl. Ex. G.

On May 6, 2008, Defendants removed this action for a second time, alleging jurisdiction under §§ 1331 and 1338. Second Notice of Removal, Johnson Decl. Ex. K.

III. ARGUMENT

A. Defendants Must Establish Under the Well-Pleaded Complaint Rule that Federal Law Creates ST's Cause of Action or that ST's Right to Relief Necessarily Depends on the Resolution of a Substantial Federal Question

The removal statutes are construed restrictively so as to limit removal jurisdiction. *Shamrock Oil & Gas Corp. v. Sheets*, 313 U.S. 100, 108-09 (1941). Because removal is disfavored, there is a "strong presumption" against removal jurisdiction. *Gaus v. Miles, Inc.*, 980 F.2d 564, 566 (9th Cir. 1992). The burden of establishing federal jurisdiction for purposes of removal is on the party seeking removal in view of this presumption. *Valdez v. Allstate Ins. Co.*, 372 F.3d 1115, 1117 (9th

1 Cir. 2004). Doubts as to removability are resolved in favor of remanding the case to state court.
 2 *Matheson v. Progressive Specialty Ins. Co.*, 319 F.3d 1089, 1090 (9th Cir. 2003).

3 Defendants allege for a second time that this Court has “original jurisdiction under 28 U.S.C.
 4 § 1331 and/or 28 U.S.C. § 1338.” Second Notice of Removal ¶ 3. Under Supreme Court precedent,
 5 the well-pleaded complaint rule determines if there is federal question jurisdiction. *Christianson v.*
 6 *Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988). Accordingly, the test for when § 1331
 7 jurisdiction, and more specifically § 1338 jurisdiction, exists is whether “a well-pleaded complaint
 8 establishes that either federal patent law creates the cause of action or that the plaintiff’s right to
 9 relief necessarily depends on resolution of a substantial question of federal patent law in that patent
 10 law is a necessary element of one of the well-pleaded claims.” *Id.* at 809. In addition, a case may
 11 not be removed to federal court on the basis of a federal defense, even if the defense is anticipated in
 12 the plaintiff’s complaint, and even if both parties admit that the defense is the only question truly at
 13 issue in the case. *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 14 (1983).

14 **B. This Court’s July 18, 2006 Order Holding that Federal Question**
 15 **Jurisdiction Does Not Exist Under § 1338 is Res Judicata**

16 This Court settled as res judicata the question of federal question jurisdiction on the basis of
 17 § 1338 by its July 18, 2006 order granting ST’s motion for reconsideration to remand. *Peabody v.*
 18 *Schroll Trust*, 892 F.2d 772, 776 (9th Cir. 1989) (order granting remand constituted res judicata on
 19 issue of federal question jurisdiction). *See also* 28 U.S.C. § 1447(d) (“An order remanding a case to
 20 the State court from which it was removed is not reviewable on appeal or otherwise”). Defendants
 21 could not in “good faith” move for removal a second time under § 1338 unless ST interjected some
 22 new federal law issue into the case. *See Peabody*, 892 F.2d at 776.

23 Significantly, no change has been made to the causes of action in ST’s complaint since the
 24 filing of the first motion for removal. Johnson Decl. ¶ 3. The language in Harari’s Inventions
 25 Agreement remains the same. The only change that Defendants have identified in their second
 26 notice of removal is ST’s purportedly “new” theory that there was an automatic assignment instead
 27 of an agreement to assign, and that, in *DDB Technologies L.L.P. v. MLBA Advanced Media, L.P.*,

1 517 F.3d 1284 (Fed. Cir. 2008) the Federal Circuit interpreted such an agreement under federal law.¹
 2 Even if Defendants correctly contend that ST altered the theory of its case to rely on federal law, the
 3 Ninth Circuit found this argument unavailing to confer federal question jurisdiction in *Peabody*.

4 The underlying action in *Peabody* involved a claimed public right of access to a lagoon under
 5 state contract law. The defendant in *Peabody* removed the action to federal district court, alleging
 6 federal question jurisdiction on two bases – 33 U.S.C. § 403, a statute requiring a permit from the
 7 United States Army Corps of Engineers for dredging, and the takings clause of the fifth amendment.
 8 The case lay dormant in federal court for several years before the plaintiff successfully moved for
 9 remand. Following remand, the plaintiff moved for partial summary judgment. The defendant
 10 contended that the plaintiff altered its case to rely on federal common law in the plaintiff’s motion
 11 for partial summary judgment. This theory – that plaintiff’s cause of action was now based solely on
 12 federal law – was the basis for the defendant’s second motion for removal. The plaintiff moved to
 13 remand and to impose sanctions. The district court granted the plaintiff’s motion. The defendant
 14 sought review of the district court’s imposition of sanctions. The Ninth Circuit affirmed the award
 15 of sanctions, holding that:

16 A second presentation of the same, previously rejected, theory to the same court fairly
 17 defines ‘frivolous.’ Unless [the defendant] can show some relevant change
 subsequent to the first remand, the sanctions award was proper.

18 *Peabody*, 892 F.2d at 775. The Ninth Circuit specifically found that the defendant’s theory of the
 19 plaintiff’s “allegedly new reliance on federal common law revealed by [the plaintiff’s] Motion for
 20 Partial Summary Judgment” did not represent the necessary relevant change to the plaintiff’s case to
 21 overcome sanctions for improper removal. *Id.* at 776-77. Similarly, ST’s purported reliance on
 22 *DDB Technologies*, which is allegedly “at the very core of [ST’s] claims,” cannot overcome the res
 23 judicata effect of this Court’s order granting remand where there has been no amendment to ST’s
 24 complaint. Second Notice of Removal ¶ 10.

25
 26 ¹ In *DDB Technologies*, the plaintiff sued for patent infringement, and this was the basis for federal
 27 jurisdiction. The Federal Circuit did not hold that interpretation of an assignment clause was a
 28 substantial question which created federal jurisdiction.

1 The proper construction of the patent assignment clause in Harari's Inventions Agreement
2 has always been at issue in this case. If the assignment provision constitutes an automatic
3 assignment, no further acts are required and legal title was transferred to WSI by operation of law
4 once the invention is made. If the clause is construed as a promise to assign, after the invention was
5 made, WSI has equitable rights, but assignment must be executed by Dr. Harari to transfer legal title.
6 Moreover, Defendants' basis for federal question jurisdiction, §1338, is the same basis this Court has
7 already rejected without a relevant change to ST's case. Under *Peabody*, Defendants' second
8 motion for removal is frivolous as a matter of law.

9 In addition, it is not true that construction of a patent assignment clause or the theory of
10 automatic assignment is new federal law that did not exist before *DDB Technologies*. See, e.g.,
11 *Speedplay, Inc. v. Bebop, Inc.*, 211 F.3d 1245, 1253 (Fed. Cir. 2000) (an assignee "automatically
12 obtained title" to an invention where the disputed contract provided that all inventions covered by
13 the contract "shall belong exclusively to [assignee] and [assignor] hereby conveys, transfers and
14 assigns to [assignee] ... all right, title and interest in and to Inventions"). See also *FilmTec Corp. v.*
15 *Allied-Signal Inc.*, 939 F.2d 1568, 1570-73 (Fed. Cir. 1991) (where the contractor agreed to "grant
16 and does hereby grant" to the client the rights to any invention, whether patentable or not, "no
17 further act would be required once an invention came into being; the transfer of title would occur by
18 operation of law"). Therefore, if Defendants are correct, federal law has been and is now equally
19 applicable under either construction asserted by ST and the alleged change in ST's position – from a
20 contention that it was an obligation to assign to an automatic assignment – did not suddenly make
21 the case subject to federal law for the first time.

22 Defendants could and *should* have raised this argument before this Court remanded this case
23 the first time. Defendants should be precluded from asserting this new argument in view of the
24 preclusive effect of this Court's July 18, 2006 order granting remand.

25
26
27
28

C. Defendants Have Not Perfected Removal Pursuant to § 1446(b)

Defendants invoke 28 U.S.C. § 1446(b) to remove the instant case from the Superior Court of California, Santa Clara County to this Court. Second Notice of Removal ¶ 11. Section 1446, entitled, “Procedure for removal,” provides in relevant part:

(b) The notice of removal of a civil action or proceeding shall be filed within thirty days after the receipt by the defendant, through service or otherwise, of a copy of the initial pleading setting forth the claim for relief upon which such action or proceeding is based, or within thirty days after the service of summons upon the defendant if such initial pleading has then been filed in court and is not required to be served on the defendant, whichever period is shorter.

If the case stated by the initial pleading is not removable, a notice of removal may be filed within thirty days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable ...

Because the removal statutes are intended to be interpreted strictly to limit removal jurisdiction, this Court should remand this case due to Defendants’ failure to abide by the procedural limitations prescribed by § 1446(b). *See also Martin v. Franklin Capital Corp.*, 546 U.S. 132, 137 (2005) (“A remand is necessary if a defendant improperly asserts [the right of removal]”).

1. Defendants’ Notice of Removal is Untimely under the First Paragraph of § 1446(b)

Defendants argue that federal law only became applicable when ST allegedly changed its assignment theory from a right to demand an assignment to an automatic assignment. Second Notice of Removal, ¶¶ 8-9. If *DDB Technologies* is applicable to this case and federal law is controlling with respect to the construction of patent assignment clauses as Defendants contend, then federal law was applicable under either theory asserted by ST, and was controlling upon the filing of the complaint. Thus, Defendants are clearly wrong when they argue that the right of removal first arose when ST allegedly altered its theory of the case by contending that Harari’s Inventions Agreement was an automatic assignment in ST’s April 9, 2008 interrogatory responses. Pursuant to the first paragraph of § 1446(b), removal is untimely here because it comes more than 30 days after the complaint was filed.

1 **2. There is Genuine Doubt As to What Constitutes “Other Paper”**
 2 **Under the Second Paragraph of § 1446(b) to Confer Federal**
 3 **Question Jurisdiction**

4 Defendants also contend that ST’s April 9, 2008 interrogatory responses can constitute the
 5 “other paper from which it may first be ascertained that the case is one which is or has become
 6 removable” to confer federal question jurisdiction. *See* Second Notice of Removal ¶ 11. As federal
 7 question jurisdiction can only be established by the well-pleaded complaint rule, it would be an
 8 extraordinary leap of logic to consider how a plaintiff’s discovery response could amend the
 9 complaint so as to confer original jurisdiction under § 1338. Defendants certainly cite no authority
 10 for this proposition. What is certain is that any doubt as to removability are resolved in favor of
 11 remanding the case to state court. Because the question remains as to what “paper” other than the
 12 complaint itself can establish “that federal patent law creates the cause of action or that the plaintiff’s
 13 right to relief necessarily depends on resolution of a substantial question of federal patent law,”
 remand is proper here.

14 **3. If Any Paper May Constitute “Other Paper” Under the Second**
 15 **Paragraph of § 1446(b), Defendants’ Notice of Removal is**
 16 **Untimely**

17 Even if Defendants’ theory is correct — that any “paper” can give rise to removal —
 18 Defendants’ motion is nonetheless untimely. Section 1446(b) requires the filing of the notice of
 19 removal within 30 days of service of the “other paper from which *it may first be ascertained* that the
 20 case is one which is or has become removable” (*emphasis added*). On March 3, 2008, in *Certain*
 21 *Flash Memory Controllers, Drives, Memory Cards, and Media Players and Products Containing*
 22 *Same*, ITC Inv. No. 337-TA-619, Complainant SanDisk was served with the Respondents’ Reply to
 23 SanDisk’s Opposition to Respondents’ Motion to Terminate the Investigation, Johnson Decl. Ex. H
 24 (“March 3 Paper”). In the March 3 Paper, Defendant SanDisk first ascertained that Harari’s
 25 Inventions Agreement may have been an “automatic assignment” under federal law. *Id.* 3-4.
 Specifically, SanDisk was informed that:

26 As stated in the *DDB Technologies* case, “[i]f the contract expressly grants rights in
 27 future inventions, ‘no further act [is] required once an invention [comes] into being,’
 28 and ‘the transfer of title [occurs] by operation of law.’ Exhibit 1, Case No. 2007-
 1211 at 10 quoting *FilmTec v. Allied Signal*, 939 F.2d 1568, 1573 (Fed. Cir. 1991).

Dr. Harari's assignment stated that he "assign[ed]. . . my entire right, title, and interest in and to such Inventions which relate in any way to or are useful in Company's business." STM Complaint, exhibit A, paragraph 3, included as Exhibit 1 of Respondents Motion to Terminate the '808 Patent. The assignment did not say that he would assign or that he was obligated to assign. Accordingly, under the *DDB Technologies* case and its predecessors, there was no contractual obligation to assign the '808 patent, because the assignment took place automatically upon invention.

Id. 4. This "paper," along with the Federal Circuit's opinion in *DDB Technologies*, was served on Michael A. Ladra and James C. Yoon — the same two attorneys who filed Defendants' second notice of removal. Yet Defendants waited over 60 days to file their notice of removal. Thus, even if Defendants' theory that any paper can give rise to removal under the second paragraph of § 1446(b), the notice of removal was untimely here because it was filed more than 60 days after SanDisk's receipt of the March 3, 2008 "paper."

D. Substantively, ST's Claims Do Not Necessarily Depend on the Resolution of a Substantial Question of Federal Patent Law

Although Defendants' motion for removal makes the conclusory statement that "a substantial question of federal patent law" is raised by an interrogatory answer given by ST, Defendants make no showing that the alleged legal issue is "substantial." Furthermore, even if the alleged federal law issue is substantial, Defendants make no attempt to show that a cause of action in the complaint "necessarily depends on resolution of a substantial question of federal law." Thus, Defendants' notice of removal does not make a prima facie showing that the case is removable.

Defendants contend that ST's statement in an interrogatory answer that the Inventions Agreement constitutes an automatic assignment "puts at issue a substantial question of federal law," thereby conferring federal question jurisdiction. Second Notice of Removal ¶¶ 9-10. This argument is utterly baseless because the Federal Circuit has rejected such a proposition:

That the involved contracts may or may not constitute agreements to assign future patent applications does not convert a contract dispute cognizable in state courts to a federal question appropriate for determination in a federal court.

Beghin-Say Int'l Inc. v. Ole-Bendt Rasmussen, 733 F.2d 1568, 1571 (Fed. Cir. 1984). Moreover, the federal court system has consistently held "for over 130 years that contract disputes involving patents do not arise 'under any Act of Congress relating to patents,' as required by 28 U.S.C. §

1338.” *See id.* (citing to *Wilson v. Sandford*, 51 U.S. 99 (1850) and its progeny). Assuming arguendo that Dr. Harari’s assignment is a matter of federal law and not state law, removal is not proper here because the *Christianson* test has not been met.

**1. Construction of Assignment Clauses Under Federal Patent Law is
Not Essential for ST to Obtain the Relief It Seeks**

The Supreme Court has held that “a claim supported by alternative theories in the complaint may not form the basis for § 1338(a) jurisdiction unless patent law is essential to *each* of those theories.” *Christianson*, 486 U.S. at 810 (*emphasis added*). “[T]he appearance on the complaint’s face of an alternative, nonpatent theory compels the conclusion that the ... claim does not ‘arise under’ patent law.” *Id.* at 813. A case arises under federal patent law when the plaintiff’s complaint establishes that “some right, title or interest under the patent laws, or at least make[s] it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws.” *Id.* at 807-08.

The legal theory of automatic assignment upon which ST purportedly relies is applicable to “all inventions, improvements, discoveries and technical developments (‘Inventions’), *whether or not patentable*” under the terms of the Inventions Agreement. Complaint Ex. A. (*emphasis added*). On its face then, the assignment clause is not limited to the assignment of patents. It can be applied to other forms of intellectual property that sound in state law, such as unpatentable inventions and inventions held as trade secrets. *See, e.g., AT&T v. Integrated Network Corp.*, 972 F.2d 1321, 1324 (Fed. Cir. 1992). The Inventions Agreement demonstrates facially that the construction of the assignment clause is not limited to patents and that ST may obtain relief on alternative theories independent of the patent law. Thus, SanDisk cannot establish that the construction of the assignment clause in Harari’s employment contract is solely a patent law question necessary for ST to obtain relief to establish § 1338(a) jurisdiction. Therefore, ST’s alleged reliance on the legal theory of automatic assignment does not establish that its causes of action *necessarily depend* upon the determination of a federal patent law question.

Moreover, Defendants have failed to identify how the resolution of the question of automatic assignment is a necessary element of any of ST's claims. ST is entitled to relief whether the assignment clause in Harari's employment contract constituted an agreement to assign or an automatic assignment because the former construction grants equitable rights and the latter confers legal title. Clearly, the determination of the patent assignment clause under federal law neither defeats nor sustains ST's right to relief. ST can prevail whether it has legal or equitable title. As a matter of law then, construction of the assignment clause in the Inventions Agreement under federal law is not a necessary element of any of ST's claims.

2. The Issue of Automatic Assignment Does Not Create a *Substantial* Question of the Patent Law

Section 1338 jurisdiction is proper where ST's "right to relief necessarily depends on resolution of a *substantial* question of federal patent law." *Christianson*, 486 U.S. at 809 (*emphasis added*). There is a "long-settled understanding that the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction." *Merrell Dow Pharms. Inc. v. Thompson*, 478 U.S. 804, 813 (1986). Rather, there must be a question of federal law sufficiently substantial to confer federal question jurisdiction. *See id.* at 813-14 & n.12.

Defendants have cited to no authority for their claim that interpretation of the assignment clause in a state court contract action is a "substantial" question of federal patent law. Defendants' assertion is clearly incorrect because the Federal Circuit has limited the "substantial" matters of federal patent law to integral issues such as inventorship, infringement, validity, and enforceability to confer jurisdiction under § 1338(a). *Bd. of Regents v. Nippon Tel. & Tel. Corp.*, 414 F.3d 1358, 1363 (Fed. Cir. 2005). *Cf. AT&T*, 972 F.2d at 1324 ("when an invention was conceived may be more of a question of common sense than of patent law"). Moreover, the law is clear that contract suits over ownership of patents is a matter of state law, not federal law. *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997). ("It may seem strange at first blush that the question of whether a patent is valid and infringed ordinarily is one for federal courts, while the question of who owns the patent rights and on what terms typically is a question exclusively for state

1 courts. Yet that long has been the law. It is well settled that if the patentee pleads a cause of action
 2 based on rights created by a contract, or on the common law of torts, the case is not one ‘arising
 3 under’ the patent laws.”).

4 **3. Defendants’ Argument that Construction of a Patent Assignment**
 5 **Clause Voids Their Statute of Limitations Defense Does Not**
 6 **Establish Federal Jurisdiction**

7 Defendants assert that ST has altered its theory of the nature of Harari’s Inventions
 8 Agreement “to circumvent Defendants’ [statute of limitations] defense.” Second Notice of Removal
 9 ¶ 8. This is the only instance Defendants have identified where the application of federal law is a
 10 necessary element of a party’s claims or defenses.² However, the fact that the holding in *DDB*
 11 *Technologies* may defeat Defendants’ statute of limitations defense does not render this case
 12 removable. In determining whether removal jurisdiction is proper, defenses based on federal law are
 13 ignored, even if the defense is anticipated in the complaint and both parties agree that the defense is
 14 the only issue in the case. *See Franchise Tax Bd.*, 463 U.S. at 14. Thus, ST’s interrogatory answer
 15 stating there was an automatic assignment did not make this case removable even if this implicates
 16 the statute of limitations defense.

17 **E. ST is Entitled to Its Fees and Costs Because Defendants’ Basis for Removal is**
 18 **Frivolous**

19 If the Court remands this case, Defendants should be ordered to pay ST’s “costs and any
 20 actual expenses, including attorney fees, incurred as a result of the removal.” 28 U.S.C. § 1447(c).³
 21 A district court may grant such fees and costs “where the removing party lacked an objectively
 22 reasonable basis for seeking removal.” *Martin*, 546 U.S. at 141. As discussed previously,
 23 Defendants’ grounds for the second notice of removal is frivolous as a matter of law because
 24 Defendants’ assert the same basis for federal question jurisdiction that this Court previously rejected

25 ² In *DDB Technologies*, the Federal Circuit held that the statute of limitations defense was
 26 unavailable to the defendant because the assignment clause in an employment contract provided for
 27 an automatic assignment. *DDB Technologies*, 517 F.3d at 1290.

28 ³ This Court may retain jurisdiction over the issue of determining fees and costs even after
 remanding this case to state court. *Moore v. Permanente Med. Group, Inc.*, 981 F.2d 443, 445 (9th
 Cir. 1992).

1 without any relevant change to ST's case. Accordingly, ST is entitled to its fees and costs because
 2 the basis for Defendants' motion for removal is not objectively reasonable.

3 Awarding fees under § 1447(c) is particularly appropriate to deter "removals sought for the
 4 purpose of prolonging litigation and imposing costs on the opposing party," and the waste of judicial
 5 resources. *Id.* at 140. Defendants' latest motion for removal follows a lengthy and consistent
 6 pattern of employing baseless procedural motions to prevent progress towards a trial on the merit.⁴
 7 After nearly three years, only a limited amount of discovery has occurred in this case. Meanwhile
 8 both ST and the courts – state and federal – have expended considerable resources to address each of
 9 Defendants' procedural motions, including this latest motion for removal. To deter Defendants from
 10 continuing to delay litigation and to enable ST to recover some of the expense necessary to challenge
 11 Defendants' frivolous removal motion, ST requests that the Court retain jurisdiction after remand to
 12 determine the amount and that ST be given 10 days after entry of the remand order to submit an
 13 application for an award of attorneys fees and costs.

14 **IV. CONCLUSION**

15 For the foregoing reasons, ST requests that this Court: (1) remand this case to state court
 16 forthwith and (2) enter an order awarding ST its costs and actual expenses and giving ST 10 days to
 17 make application for its fees.

18
 19 Dated: May 12, 2008

SIDLEY AUSTIN LLP

20
 21 By: /s/ Russell L. Johnson
 Russell L. Johnson

22 Attorneys for Plaintiff
 23 STMicroelectronics, Inc.

24
 25
 26 ⁴ ST's Motion to Shorten Briefing Schedule for ST's Motion to Remand [Docket No. 100]
 27 extensively discusses the volume of procedural motions by Defendants that have effectively delayed
 28 this action for more than two and a half years.

RUSSELL L. JOHNSON (SBN 53833)
rljohnson@sidley.com
EDWARD V. ANDERSON (SBN 83148)
evanderson@sidley.com
TEAGUE I. DONAHEY (SBN 197531)
tdonahey@sidley.com

SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104-1715
Telephone: 415-772-1200
Facsimile: 415-772-7400

Attorneys for Plaintiff
STMicroelectronics, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

STMICROELECTRONICS, INC.,
a Corporation,

Plaintiff,

vs.

ELIYAHOU HARARI, an individual;
SANDISK CORPORATION, a corporation; and
DOES 1 TO 20, inclusive

Defendants.

) Case No. 05-04691 JF

) Related Case No. 08-02332 MMC

) **DECLARATION OF RUSSELL L.**
) **JOHNSON IN SUPPORT OF ST'S**
) **MOTION TO REMAND DEFENDANTS'**
) **SECOND REMOVAL**

) **Before: Hon. Jeremy Fogel**

) **Date: July 25, 2008**

) **Time: 9:00 a.m.**

) **Courtroom: 3**

) **MOTION TO SHORTEN TIME FILED**

1 I, Russell L. Johnson, declare and state:

2 1. I am a member of the firm Sidley Austin LLP, and am one of the attorneys of record
3 for Plaintiff STMicroelectronics, Inc. ("ST"). I make this declaration in support of ST's Motion to
4 Remand.

5 2. Attached hereto as Exhibit A is a true and correct copy of ST's Complaint for
6 Damages and Equitable Relief for Breach of Fiduciary Duty, Breach of Written Contract, Fraud,
7 Conversion, Inducing Breach of Contract, Unjust Enrichment, and Unfair Competition
8 ("Complaint"), filed in the Superior Court of the State of California, Alameda County on October
9 14, 2005.

10 3. ST has not amended the Complaint since it has been filed.

11 4. Attached hereto as Exhibit B is a true and correct copy of Defendants Eliyahou
12 Harari's ("Harari") and SanDisk Corporation's ("SanDisk") (collectively, "Defendants") Notice of
13 Removal to the United States District Court for the Northern District of California Under 28 U.S.C.
14 § 1441(a) & (b), filed on November 15, 2005.

15 5. Attached hereto as Exhibit C is a true and correct copy of this Court's Order Granting
16 Plaintiff's Motion for Reconsideration and Remanding Action to Alameda County Superior Court,
17 entered on July 18, 2006.

18 6. Attached hereto as Exhibit D is a true and correct copy of Defendants' Notice of
19 Motion and Motion for Judgment on the Pleadings filed in the Superior Court of the State of
20 California, Santa Clara County, filed on February 7, 2008.

21 7. Attached hereto as Exhibit E is a true and correct copy of ST's Opposition to
22 Defendants' Motion for Judgment on the Pleadings filed in the Superior Court of the State of
23 California, Santa Clara County, filed on February 20, 2008.

24 8. Attached hereto as Exhibit F is a true and correct copy of Defendants' Reply in
25 Support of their Motion for Judgment on the Pleadings filed in the Superior Court of the State of
26 California, Santa Clara County, filed on February 27, 2008.

11. Attached hereto as Exhibit I is a true and correct copy of ST's First Supplemental Responses to Defendant SanDisk's First Set of Form Interrogatories – Limited Civil Cases (Economic Litigation), served on April 7, 2008.

12. Attached hereto as Exhibit J is a true and correct copy of Plaintiff's Reply in Support of its Motion to Compel Discovery of SanDisk Corporation, filed in the Superior Court of the State of California, Santa Clara County on April 11, 2008.

13. Attached hereto as Exhibit K is a true and correct copy of the Defendants' Notice of Removal, filed in the United States District Court, Northern District of California on May 6, 2008.

I declare under penalty of perjury that the foregoing is true and correct. Executed at San Francisco, California on this 12th day of May, 2008.

Russell L. Johnson

Exhibit A

Russell L. Johnson (SBN 53833)
Edward V. Anderson (SBN 83148)
Teague I. Donahey (SBN 197531)
Matthew L. McCarthy (SBN 217871)
SIDLEY AUSTIN BROWN & WOOD LLP
555 California Street, Suite 2000
San Francisco, California 94104-1715
Telephone: 415-772-1200
Facsimile: 415-772-7400

ENDORSED
FILED
ALAMEDA COUNTY

OCT 14 2005

CLERK OF THE SUPERIOR COURT
By DOLORES J. SILVA
Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF ALAMEDA

STMICROELECTRONICS, INC.,
a corporation,

Plaintiff,

v.

ELIYAHOU HARARI, an individual;
SANDISK CORPORATION,
a corporation;
and DOES 1 to 20, inclusive,

Defendants.

No. **HG 05237216**

**COMPLAINT FOR DAMAGES AND
EQUITABLE RELIEF FOR BREACH
OF FIDUCIARY DUTY, BREACH OF
WRITTEN CONTRACT, FRAUD,
CONVERSION, INDUCING BREACH
OF CONTRACT, UNJUST
ENRICHMENT, AND UNFAIR
COMPETITION**

Unlimited Civil Case

Plaintiff STMICROELECTRONICS, INC. alleges as follows:

PARTIES

1. Plaintiff STMicroelectronics, Inc. ("ST") is a corporation organized and existing under the laws of the State of Delaware with its principal place of business in Carrollton, Texas.

2. ST is informed and believes, and on this basis alleges, that defendant Eliyahou Harari ("Harari") is and was at all times mentioned herein a resident of California currently living in Los Gatos, California.

3. ST is informed and believes, and on this basis alleges, that defendant SanDisk Corporation ("SanDisk") is a Delaware corporation with its principal place of business in

1 Sunnyvale, California.

2 4. ST is ignorant of the true names and capacities of the persons sued as Does 1
3 through 20 and therefore sues these persons by such fictitious names. ST is informed and
4 believes, and on this basis alleges, that each of these fictitiously named persons is responsible in
5 some manner for the acts and omissions herein alleged. ST will amend this complaint to allege
6 their true names and capacities when ascertained.

7 **FACTS COMMON TO ALL COUNTS**

8 **ST Acquired Wafer Scale Integration And Is The**
9 **Successor In Interest To All Of Its Legal Rights**

10 5. The claims for relief at issue in this case had their genesis in Harari's breach of
11 his fiduciary and other legal obligations while an employee, officer, consultant and/or director
12 of Wafer Scale Integration, Inc. ("WSI"). ST is the successor to all WSI's legal rights,
13 including the present claims against Harari and SanDisk.

14 6. WSI was a California corporation with its principal place of business in
15 Fremont, California. It was co-founded in 1983 by Harari. WSI designed and sold
16 programmable system devices, including memory systems and nonvolatile memories. While
17 Harari was an officer and/or a director of WSI, it was designing and developing flash memory
18 products.

19 7. On July 27, 2000, ST and WSI merged, with ST remaining as the surviving
20 corporation. Pursuant to the Agreement and Plan of Merger between ST and WSI, ST
21 succeeded to "all rights and property" of WSI.

22 8. As a result of the 2000 merger, WSI is no longer a separate legal entity from ST.

23 **Harari Was An Officer And/Or Director Of WSI From Its**
24 **Founding In 1983 Until His Resignation In 1989**

25 9. Harari was a co-founder of WSI, and served numerous roles at WSI between its
26 founding on August 1, 1983 and his resignation in March of 1989, including:

- 27 • Chief Executive Officer (CEO): August 1, 1983 until June 11, 1986;
28 • Chief Technology Officer (CTO): June 11, 1986 until February 28, 1988;

- Director: August 1, 1983 through March 15, 1989; and
- Chairman of the Board: November 30, 1983 until June 15, 1985, and again from June 11, 1986 until February 28, 1988.

10. On information and belief, during at least a part of this time WSI was located, and Harari worked, in Fremont, California.

Harari's Obligation to Assign Inventions to WSI

11. Early in the period that Harari was an employee, officer and director of WSI, he signed two agreements with the company: (1) an Employee Agreement Regarding Confidentiality and Inventions dated February 22, 1984 (the "Inventions Agreement") (attached hereto as Exhibit A); and (2) a Key Employee Agreement dated February 27, 1984 (the "Key Employee Agreement") (attached hereto as Exhibit B).

12. Through the Inventions Agreement, Harari agreed to the following:

2. I will maintain in confidence and will not disclose or use, either during or after the term of my employment without the prior written consent of [WSI], any proprietary or confidential information or know-how belonging to [WSI] Upon termination of my employment or at the request of my supervisor before termination, I will deliver to [WSI] all written and tangible material in my possession incorporating the Proprietary Information or otherwise relating to [WSI's] business. ...

3. I will promptly disclose and describe to [WSI] (i) all inventions, improvements, discoveries and technical developments ("Inventions"), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that [WSI] shall receive such information in confidence. I hereby assign and agree to assign to [WSI] my entire right, title and interest in and to such Inventions which relate in any way to or are useful in [WSI's] business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with WSI and its designee(s) both during and after my employment in the procurement and maintenance, at [WSI's] expense and at its discretion, of patents, copyrights, and/or other protection of [WSI's] rights in such inventions. I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of the [WSI].

4.

(c) During my employment by [WSI], I will not engage in any employment, consulting or other activity in any business without [WSI's] express written agreement.

**WSI's Development of Flash Electrically Erasable
Programmable Read Only Memory**

13. WSI, a company which designed and produced various kinds of semiconductor memory (memory on a chip) for computers and electronic devices, dedicated substantial resources and effort to research and development of new memory technologies.

14. Semiconductor memory can be either volatile or nonvolatile. Volatile memory requires a power source to maintain data in memory while nonvolatile memory requires no power to retain data.

15. The main memory in computers has traditionally been dynamic random access memory ("DRAM") or static random access memory ("SRAM") both of which are volatile memories. Thus, if the computer is turned off, any data stored in a DRAM or SRAM will be lost.

16. Computers have also used nonvolatile memories such as read only memory ("ROM") and programmable read only memory (PROM) and electrically programmable read-only memory (EPROM). In the late 1980s, when Harari was still an employee, officer and director of WSI, a new nonvolatile memory technology called electrically erasable programmable read only memory (EEPROM or E²PROM) was developed which offered a substantial advantage over ROM, PROM or EPROM because it was electrically reprogrammable. When an EEPROM is quickly erasable and reprogrammable it is referred to as "flash EEPROM," or "flash memory." If the computer is turned off, data in these memories is not lost.

17. WSI, while Harari was its chief technical officer, began development work on flash memory. By at least 1987, WSI was involved in research and development efforts regarding flash memory technology. By 1989, WSI had a prototype flash memory product, and was anticipating revenues from this line of business. As an employee, CTO and/or director of WSI, Harari was aware of WSI's research and development efforts with regard to flash memory.

18. As a director and officer of WSI, Harari was in a position of trust and confidence

1 and had fiduciary obligations, including at least the following: (a) to act in good faith and in the
2 best interests of WSI and its shareholders; (b) to put the interests of WSI and its shareholders
3 ahead of his private interests; (c) to not enter into any business in competition with WSI; (d) to
4 bring business opportunities in the line of business of WSI to the attention of WSI and not to
5 appropriate the opportunity for himself; (e) to protect and preserve the assets of WSI; and (f) to
6 disclose material facts to WSI concerning his business dealings in the same field as WSI's
7 business endeavors.

8 **Harari Filed Four Patent Applications While A Director Of**
9 **and Consultant to WSI, But Did Not Assign Them To WSI**

10 19. WSI, in order to protect its intellectual property, routinely applied for United
11 States patents to cover inventions developed in the course of its business. As an employee,
12 officer, and director of WSI, Harari had fiduciary and contractual obligations to assist WSI with
13 the protection of its intellectual property, and to assign inventions which related to WSI's
14 business to WSI.

15 20. Harari and WSI entered into an Agreement dated February 29, 1988 (the
16 "Consulting and Directorship Agreement") (attached hereto as Exhibit C). In this agreement
17 Harari resigned his duties as an employee and officer of WSI effective February 28, 1988.

18 21. In the Consulting and Directorship Agreement WSI and Harari also agreed that:
19 (a) WSI would continue to nominate Harari as a director until an IPO took place; (b) Harari
20 would be a paid consultant to WSI for 11 months at his then current salary; (c) WSI had the
21 right to extend the consulting agreement for a period of six months; and (d) Harari would
22 "continue to be bound by and comply with the terms of his Employee Agreement Regarding
23 Confidentiality and Inventions dated February 22, 1984" – the Inventions Agreement. The
24 obligations in the Inventions Agreement as extended by the Consulting and Directorship
25 Agreement included, among other things, three important obligations. First, to maintain in
26 confidence and not to use or disclose any proprietary, confidential or know-how of WSI without
27 the company's prior written consent. Second, to assign "all inventions, improvements,
28 discoveries and technical developments ("Inventions"), whether or not patentable." And, third,

1 Harari's agreement that he would "not engage in any employment, consulting or other activity
2 in any business without the Company's express written agreement."

3 22. On information and belief, the Consulting and Directorship Agreement was
4 entered into, and at least some of the obligations of both WSI and Harari were to be performed,
5 in Fremont, California.

6 23. Furthermore, as a director of WSI, Harari continued in a position of trust and
7 confidence and had all of the same fiduciary obligations he previously had when he was an
8 officer and director. *See, supra*, ¶ 18.

9 24. On April 26, 1988, less than two months after resigning as an officer of WSI, but
10 while still serving as a director of and consultant to WSI with a continuing obligation to assign
11 inventions to WSI, Harari filed Patent Application 07/185,699 with the United States Patent and
12 Trademark Office ("PTO"), which resulted in U.S. Patent 4,933,739, entitled "Trench resistor
13 structures for compact semiconductor memory and logic devices." This patent relates to
14 memory devices that were within WSI's line of business.

15 25. On June 8, 1988, while still serving as a director of and consultant to WSI with a
16 continuing obligation to assign inventions to WSI, Harari filed Patent Application 07/204,175
17 with the PTO, which resulted in twenty-two issued patents. This application related to flash
18 memory products that were within WSI's line of business.

19 26. On July 8, 1988, while still serving as a director of and consultant to WSI with a
20 continuing obligation to assign inventions to WSI, Harari filed Patent Application 07/216,873
21 with the PTO, which resulted in three issued patents. This application related to memory
22 products that were within WSI's line of business.

23 27. On March 15, 1989, Harari filed Patent Application 07/323,779 with the PTO,
24 which resulted in U.S. Patent 5,070,032, entitled "Method of making dense flash EEPROM
25 semiconductor memory structures." This patent relates to flash memory devices that were
26 within WSI's line of business.

27 28. On March 21, 1989, Harari tendered his resignation from the Board of Directors
28 of WSI, requesting that his resignation date be back dated to March 15, 1989 – the same day he

1 had filed his most recent patent application. Harari made this request without disclosing to the
2 Board that he had filed any of the above-referenced patent applications.

3 **Harari Filed Two Patent Applications Three Weeks After**
4 **Tendering His Resignation As A Director Of WSI**

5 29. In addition to the four applications Harari filed while still a director of WSI,
6 Harari filed two more patent applications three weeks after tendering his resignation as a
7 director of WSI, but before the Board of Directors accepted his resignation. On information
8 and belief, ST alleges that the inventions disclosed in these applications were invented and
9 developed while Harari was an officer and/or director and/or a consultant of WSI.

10 30. Specifically, on April 13, 1989, Harari filed two Patent Applications with the
11 PTO – numbered 07/337,566 and 07/337,579. These applications related to flash EEPROM
12 memories which were then under development at WSI. Patent Application 07/337,566 has
13 resulted in the issuance of twenty-one patents and Patent Application 07/337,579 has resulted in
14 the issuance of two patents.

15 31. On May 17, 1989, the Board of Directors of WSI met and accepted Harari's
16 resignation effective after the Board meeting of March 15, 1989. The Board agreed to Harari's
17 request to back date his resignation without knowing that Harari had filed patent applications on
18 April 26, 1988, June 8, 1988, July 8, 1988, March 15, 1989, and April 13, 1989.

19 **While An Employee, Officer and/or Director Of WSI, Harari**
20 **Only Disclosed and Assigned One Patent Application to WSI**

21 32. On information and belief, Harari did not disclose any of the following six patent
22 applications to WSI at any time: (a) 07/185,699; (b) 07/204,175; (c) 07/216,873;
23 (d) 07/323,779; (e) 07/337,566; or (f) 07/337,579. WSI had no way of knowing of Harari's
24 conduct, as patent applications filed with the PTO are confidential and Harari did not disclose
25 this information to WSI.

26 33. On information and belief, the ideas disclosed in these patent applications were
27 known to or conceived by Harari while he was as a director and/or consultant of WSI, and the
28 evidence at trial may prove that he had or conceived of these ideas during his tenure as an

1 employee and officer as well. Moreover, on information and belief, ST believes that Harari
2 actively worked on the preparation of all these patent applications during his tenure as a director
3 and/or consultant to WSI, and that Harari concealed this activity from WSI.

4 34. These six patent applications all contain ideas and designs that would have
5 benefited the design and development work being done at WSI on flash memory.

6 35. In contrast to the six patent applications Harari filed in his own name without
7 disclosing them to WSI, Harari disclosed only *one* patent application to WSI during his entire
8 five-and-a-half year tenure as an employee, officer, director and/or consultant. Harari was
9 forced to disclose that patent application because there was a co-inventor on the application
10 who would fulfill his obligations to make the disclosure. In other words, Mr. Harari concealed
11 from WSI every patent application he was able to conceal because he was either listed as the
12 sole inventor or a co-inventor with a non-WSI employee.

13 36. Harari's assignment of only a single application to WSI is particularly
14 noteworthy in light of the significant number of applications he has filed during his career.
15 Over a period of twenty-eight years, Harari has filed one hundred and thirty-one patent
16 applications – an average of almost five applications per year. However, Harari disclosed only
17 one patent application to WSI during his entire five-and-one-half-year tenure as an employee,
18 officer, director and/or consultant of that company. In fact, from 1975 until 1983, Harari filed
19 at least one patent application each year.

20 37. However, in 1984, 1985, 1986, and 1987, all years during which Harari served as
21 an employee, officer and/or director of WSI, Harari did not file a single patent application.

22 38. In the years following his departure from WSI, from 1989 until 2002, Harari
23 filed at least *four* patent applications *each* year. Indeed, within the first five months after
24 Harari resigned his position as CTO of WSI, while still a director and consultant to WSI with an
25 obligation to assign inventions, Harari filed three different applications with the PTO – none of
26 which were disclosed or assigned to WSI. Each of these patent applications likely would have
27 been in process for months before filing with the PTO.

28 39. Perhaps most tellingly, Harari filed an application on March 15, 1989, a date

1 which he later requested be set as his effective date of resignation from the board of directors of
2 WSI. Harari's attempt to back-date his resignation to coincide with the filing of this application
3 is clear evidence of his intent to conceal his patent-filing activities from WSI, and to obtain for
4 himself patent rights that he knew should have been assigned to WSI.

5 **Harari Founded SanDisk, A Competitor Of WSI,**
6 **While Serving As A Director Of WSI**

7 40. In or about June 1988, Harari founded SanDisk Corporation. (SanDisk was
8 originally named "SunDisk," but changed its name in 1995 prior to its initial public offering.
9 For clarity, this Complaint will consistently refer to the corporation as "SanDisk.")

10 41. Harari founded SanDisk while serving as a Director of WSI, and therefore was
11 under a fiduciary obligation not to enter into any business in competition with WSI. Moreover,
12 Harari had a fiduciary obligation to present corporate opportunities in WSI's line of business to
13 WSI, and not to appropriate such opportunities to himself or another company.

14 42. On information and belief, SanDisk, since its inception, has focused its research
15 and development efforts on developing cost-effective flash memory storage products -- a
16 technology which WSI had been developing since at least 1987, and was continuing to develop
17 at the time SanDisk was formed by Harari.

18 43. Moreover, at the time Harari founded SanDisk, he was well aware of WSI's
19 research into flash memory technology. Harari served as CTO of WSI, and thus headed WSI's
20 research efforts on flash memory until February of 1988. As a Director of WSI, Harari received
21 reports regarding WSI's flash memory work until at least January of 1989, several months after
22 he founded SanDisk and filed four of the patent applications whose ownership is at issue in this
23 suit.

24 44. On information and belief, from its inception and founding by Harari, SanDisk
25 was in direct competition with WSI. As an officer and/or director of WSI, Harari had an
26 obligation to present any corporate opportunity appropriate for WSI to it. Harari's involvement
27 with SanDisk was a serious violation of Harari's fiduciary duties to WSI.

28 45. Furthermore, Harari assigned the patents which resulted from the above-

1 described applications to SanDisk, thereby benefiting a company in direct competition with
2 WSI, to whom he owed fiduciary duties of loyalty and good faith. As alleged in more detail
3 below, those assignments have recently resulted in injury to ST who is the successor-in-interest
4 to WSI.

5 **SanDisk Sued ST, The Successor Of WSI, For Infringement Of**
6 **Patents Which Should Have Been Assigned to WSI**

7 46. On October 15, 2004, SanDisk filed two complaints alleging that ST infringed
8 U.S. Patent 5,172,338 ("the '338 patent"). One complaint styled *In the Matter of Certain*
9 *NAND Flash Memory Circuits and Products Containing Same*, Investigation No. 337-TA-526
10 was filed in the United States International Trade Commission (the "ITC action") and the other
11 styled *SanDisk Corp. v. STMicroelectronics, Inc.*, case number C04-04379 JF, was filed in the
12 Northern District of California (the "Northern District action"). The International Trade
13 Commission initiated an investigation in the ITC action and a hearing before the Administrative
14 Law Judge ("ALJ") has occurred and the initial determination of the ALJ is due in October
15 2005. In the Northern District action, the claims of infringement of the '338 patent have been
16 stayed pending completion of the ITC action.

17 47. The '338 patent resulted from the continuation-in-part of an application filed by
18 Harari less than one month after he resigned as a director of WSI. On information and belief,
19 any invention disclosed in the '338 patent was conceived of or made, and the application was
20 being prepared, while Harari was still a director of WSI.

21 48. On April 22, 2005, SanDisk filed its answer, affirmative defenses and
22 counterclaims in an action styled *STMicroelectronics, Inc. v. SanDisk Corp.*, case number
23 4:05CV45 pending in the United States District Court of the Eastern District of Texas (Sherman
24 Division). In its counterclaims, SanDisk alleged that ST infringed U.S. Patents 5,583,812 (the
25 "812 patent") and 5,719,808 (the "808 patent").

26 49. The '812 patent resulted from various continuations-in-part and divisional
27 applications going back to the June 8, 1988 patent application 07/204,175, from which it
28 claimed priority. On information and belief, any invention disclosed in the June 8, 1988 patent

1 application 07/204, 175 from which the '812 patent claims priority was conceived of or made,
2 and the application was being prepared, while Harari was still a director of WSI.

3 50. The '808 patent resulted from various continuations-in-part and divisional
4 applications going back to the April 13, 1989 patent application 07/337,566, from which it
5 claimed priority. On information and belief, any invention disclosed in the April 13, 1989
6 patent application 07/337,566 from which the '808 patent claims priority was conceived of or
7 made, and the application was being prepared, while Harari was still a director of WSI.

8 51. These applications and the patents which ultimately issued from these
9 applications, should have been assigned to WSI and then to ST when it acquired WSI. ST has
10 suffered substantial damage as a result of the assertion of these patents by SanDisk.

11 52. When ST began to defend itself in this suit, it, like its predecessor WSI, was
12 unaware of Harari's filing of the undisclosed patent applications in 1988 and 1989. During the
13 course of preparing its defense, ST slowly discovered the disparate facts from which it began to
14 piece together Harari's conduct during and following his tenure as an employee, officer and
15 director of WSI.

16 53. WSI, and later ST, were unaware of Harari's assignment of these patents and
17 applications until well after SanDisk filed suit against ST in October 2004 because Harari had
18 concealed his patent applications from WSI, despite his contractual and fiduciary obligations to
19 disclose and/or assign them.

20 54. All of the causes of action asserted by ST herein, and all of the relief ST seeks,
21 arise under state law. None of the causes of action asserted by ST are created by federal law or
22 involve the construction or application of federal law, including the patent laws of the United
23 States.

24 **FIRST COUNT**
25 **Breach of Fiduciary Duty**
26 **(As to defendant Harari)**

27 55. ST realleges and incorporates herein by reference each and every allegation set
28 forth in paragraphs 1-54, above.

56. While an officer, director and/or consultant of WSI, Harari violated his fiduciary

1 duty to WSI by at least the following acts: (a) failing to disclose to WSI at least the inventions
2 described in U.S. Patent Applications 07/185,699, 07/204,175, 07/216,873, 07/337,566 and
3 07/337,579; (b) filing these Patent Applications to further his own interests rather than those of
4 WSI; (c) founding SanDisk in order to directly compete with WSI's established line of
5 business; and (d) assigning to SanDisk patents which resulted from applications filed while a
6 director of WSI, and/or patents which cover inventions conceived of or made while Harari was
7 an employee, officer, and/or director of WSI.

8 57. Harari's breaches of his fiduciary duty to WSI occurred in Fremont, California,
9 where WSI was located.

10 58. The above-described actions by Harari were contrary to the best interests of WSI
11 and its shareholders, and were done with a reckless disregard for Harari's fiduciary duties,
12 under circumstances Harari knew or should have known would result in damage to WSI and its
13 shareholders.

14 59. Harari's actions described above were undertaken in bad faith, and were an
15 effort by Harari to derive an improper personal benefit based on, and in violation of, his
16 position of trust as an officer, director, or consultant of WSI.

17 60. As a proximate result of the acts of defendant Harari described herein, ST as the
18 successor-in-interest to WSI has been and will continue to be damaged in an amount not yet
19 ascertained.

20 61. Harari's breach of his fiduciary obligations was done with bad faith, malice, and
21 oppression in that Harari was aware that, if successful, his efforts to conceal patent applications
22 and to assign resulting patents to SanDisk instead of WSI would result in substantial financial
23 harm and other injury to WSI and its successors. Accordingly, ST is entitled to an award of
24 punitive damages.

25 62. ST cannot be fully compensated in damages and is without adequate remedy at
26 law because the full amount of damage ST will suffer will be difficult to ascertain and damages
27 alone will not fully compensate it for the loss of the patents and other injury that ST has
28 suffered. Defendant Harari agreed that such irreparable harm would occur in the Key Employee

1 Agreement, paragraph 8, and in the Inventions Agreement, paragraph 7. Unless restrained by
2 appropriate injunctive relief, ST will continue to suffer irreparable injury.

3 63. WSI, and later ST, were unaware of Harari's conduct until SanDisk filed suit
4 against ST in October of 2004 because Harari concealed his patent applications from WSI,
5 despite his contractual and fiduciary obligations to disclose them.

6 **SECOND COUNT**
7 **Breach of Written Contract**
8 **(As to defendant Harari)**

9 64. ST realleges and incorporates herein by reference each and every allegation set
10 forth in paragraphs 1-63, above.

11 65. WSI performed all conditions, covenants, and promises required of it to be
12 performed in accordance with the terms and conditions of the Inventions Agreement and the
13 Consulting and Directorship Agreement.

14 66. The consideration Harari received under the Inventions Agreement and the
15 Consulting and Directorship Agreement was fair and reasonable at the time the agreements
16 were entered into and over the course of WSI's performance.

17 67. Harari breached the Inventions Agreement and the Consulting and Directorship
18 Agreement by at least the following acts: (a) failing to maintain in confidence, disclosing and
19 using for his own benefit, proprietary, confidential, know-how, and other information of WSI
20 disclosed in the above-described patent applications; (b) failing to disclose and describe to WSI
21 the inventions disclosed in the above-described patent applications; (c) failing to assign to WSI
22 the patents which resulted from the above-described patent applications; (d) failing to cooperate
23 with WSI during and following his tenure in the procurement and maintenance of patents
24 related to the inventions disclosed in the above-described patent applications; (e) failing to
25 provide WSI with adequate and current written records of the inventions disclosed in the above-
26 described patent applications; (f) assigning to SanDisk the patents which resulted from the
27 above-described patent applications and (g) engaging in employment, consulting or other
28 activity without WSI's consent.

68. Harari's breaches of these agreements occurred in Fremont, California where

1 WSI was located.

2 69. Harari's actions in breaching and continuing to breach the Inventions
3 Agreement, and the Consulting and Directorship Agreement has injured ST in an amount not
4 yet ascertained.

5 70. WSI, and later ST, were unaware of Harari's breaches of these agreements until
6 SanDisk filed suit against ST in October of 2004, because he concealed his patent applications
7 from WSI, despite his contractual and fiduciary obligations to disclose them.

8 71. ST cannot be fully compensated for Harari's refusal and failure to perform his
9 obligations under the Invention Agreement and the Consulting and Directorship Agreement by
10 damages alone and ST has no adequate remedy at law. The harm to ST can only adequately
11 remedied if specific performance is ordered requiring that Harari assign to ST, as sole owner
12 where Harari is the sole inventor and as a joint owner where Harari is a joint inventor, U.S.
13 Patent Applications 07/185,699, 07/204,175, 07/216,873, 07/337,566, and 07/337,579 and all
14 patents which have issued from these applications.

15 **THIRD COUNT**

16 **Fraud**

17 **(As to defendant Harari)**

18 72. ST realleges and incorporates herein by reference each and every allegation set
19 forth in paragraphs 1-71, above.

20 73. While an officer and/or director of WSI, Harari owed contractual and fiduciary
21 obligations to WSI.

22 74. Harari intentionally failed to disclose to WSI that he had conceived of or
23 developed inventions related to WSI's line of business, and further failed to disclose to WSI
24 that he had filed applications with the PTO regarding those inventions. For example, Harari
25 failed to disclose to WSI that he filed a patent application on March 15, 1989, when he asked
26 that his resignation from the board of WSI be made effective as of that date.

27 75. Harari's failure to disclose material facts occurred in Fremont, California where
28 WSI was located.

76. WSI had no way of knowing of Harari's conduct, as patent applications filed

1 with the PTO are confidential, and Harari did not disclose this information.

2 77. On information and belief, ST alleges that Harari intended to deceive WSI and
3 its successors by concealing his inventions and patent applications, because he intended them to
4 profit himself and his assignees rather than WSI, and because he sought to avoid his contractual
5 and fiduciary obligations to assign the patents to WSI.

6 78. WSI reasonably relied on Harari's deception because it expected him, as an
7 officer and director of the company, to abide by his contractual and fiduciary duties by
8 disclosing his inventions and assigning the resulting patents to WSI.

9 79. As a direct result of Harari's failure to assign the patents to WSI, WSI and its
10 successors suffered injury through their loss of intellectual property in the patents that resulted
11 from the applications, as well as the profits, royalties, and other benefits generated by those
12 patents as well as having to defend themselves from allegations of infringement regarding three
13 of these patents

14 80. Harari's fraudulent actions were done with bad faith, malice, and oppression in
15 that Harari was aware that, if successful, his efforts to conceal patent applications and to assign
16 resulting patents to SanDisk instead of WSI would result in substantial financial harm and other
17 injury to WSI and its successors. Accordingly, ST is entitled to an award of punitive damages.

18 81. WSI, and later ST, were unaware of Harari's conduct until after SanDisk filed
19 suit against ST in October of 2004 because Harari concealed his patent applications from WSI,
20 despite his contractual and fiduciary obligations to disclose them. Thus, the existence of
21 Harari's fraud was itself concealed by his fraudulent conduct.

22 **FOURTH COUNT**
23 **Conversion**
24 **(As to all defendants)**

25 82. ST realleges and incorporates herein by reference each and every allegation set
26 forth in paragraphs 1-81, above.

27 83. Pursuant to the terms of the Inventions Agreement, the Key Employee
28 Agreement and the Consulting and Directorship Agreement, as well as to Harari's fiduciary
obligations to WSI, WSI (and later ST as its successor) had a right to possess the intellectual

1 property associated with the inventions disclosed in the above-described patent applications.

2 84. Harari and SanDisk intentionally prevented WSI (and later ST as its successor)
3 from having access to the above-described intellectual property in that Harari failed to disclose
4 the existence of the inventions to WSI, and then assigned the resulting patents to SanDisk,
5 instead of WSI. SanDisk then exploited these patents for commercial gain, up to, and
6 including, filing suit against ST for infringement of certain of the patents.

7 85. WSI (and later ST as its successor) did not consent to Harari's concealment or
8 assignment of the inventions, and did not consent to SanDisk's commercial exploitation of the
9 patents. Indeed, ST was unaware of Harari's improper concealment and assignment until after
10 SanDisk filed suit against ST in October of 2004.

11 86. As a direct result of SanDisk's and Harari's actions in converting WSI's
12 property, ST, as the successor in interest to WSI, has been harmed in an amount not yet
13 ascertained.

14 **FOURTH COUNT**
15 **Inducing Breach Of Contract**
(As to defendant SanDisk)

16 87. ST realleges and incorporates herein by reference each and every allegation set
17 forth in paragraphs 1-86, above.

18 88. On information and belief, SanDisk was aware of the existence of the various
19 contracts between Harari and WSI because Harari was an officer and director of SanDisk, as
20 well as a party to the agreements.

21 89. On information and belief, SanDisk intentionally caused Harari to breach his
22 contracts with WSI by, at least, inducing and/or participating in the assignment of patents to
23 SanDisk that were contractually required to be assigned to WSI.

24 90. As a direct result of SanDisk's and Harari's actions in breaching and continuing
25 to breach the contracts with WSI, ST, as the successor in interest to WSI, has been harmed in an
26 amount not yet ascertained.

27 91. SanDisk's inducement of Harari to breach his contracts with WSI was done with
28 bad faith, malice, and oppression in that Harari, on his own behalf and on behalf of SanDisk,

1 was aware that, if successful, his efforts to conceal patent applications and to assign the
2 resulting patents to SanDisk instead of WSI would result in substantial financial harm and other
3 injury to WSI and its successors. Accordingly, ST is entitled to an award of punitive damages.

4 92. Because Harari concealed his patent applications from WSI, despite his
5 contractual and fiduciary obligations to disclose them, WSI, and later ST, were unaware of
6 SanDisk's inducement of Harari to breach his agreements until after SanDisk filed suit against
7 ST in October of 2004.

8 **FIFTH COUNT**
9 **Unjust Enrichment**
10 **(As to all defendants)**

11 93. ST realleges and incorporates herein by reference each and every allegation set
12 forth in paragraphs 1-92, above.

13 94. On information and belief, ST alleges that, through the actions described above,
14 Harari and SanDisk have received benefits including, but not limited to, profits from sales of
15 products covered by the patents resulting from the above-described patent applications, and
16 royalties and other benefits from licenses and other arrangements relating to those patents.

17 95. The benefits described in the preceding paragraph were unjustly obtained and
18 retained by Harari and SanDisk because the patents which generated those benefits should have
19 been assigned to WSI.

20 96. WSI, and later ST, were unaware that Harari and SanDisk had been unjustly
21 enriched until after SanDisk filed suit against ST in October of 2004 because Harari concealed
22 his patent applications, and his assignment of the resulting patents, from WSI, despite his
23 contractual and fiduciary obligations to disclose them.

24 **SIXTH COUNT**
25 **Unfair Competition (Cal. Bus. & Prof. Code § 17200, *et seq.*)**
26 **(As to SanDisk)**

27 97. ST realleges and incorporates herein by reference each and every allegation set
28 forth in paragraphs 1-96, above.

98. Harari had contractual and fiduciary obligations to assign the patent applications
which led to the issuance of the '338, '812 and '808 patents to WSI. Had Harari complied with

1 his contractual and fiduciary obligations, ST, as WSI's successor-in-interest would be the
2 current owner of the '338, '812 and '808 patents which SanDisk is presently asserting against
3 ST, as well as a large number of additional patents which issued or claim priority from
4 applications which should have been assigned to WSI.

5 99. SanDisk has sued ST for infringement of the '338, '812 and '808 patents –
6 patents which rightfully should be assigned to ST as successor-in-interest to WSI.

7 100. SanDisk's patent infringement actions based on patents that it improperly
8 obtained to the detriment of ST constitute an unfair or unlawful business practice in violation of
9 California Business & Professions Code § 17200, *et seq.*

10 101. ST has suffered injury in fact and has lost money as a direct result of defendants'
11 unfair or unlawful business practices, including, at least, the substantial funds which ST has
12 been forced to expend to defend itself against SanDisk's infringement actions.

13 102. The continuing wrongful conduct of defendants, as alleged above, unless and
14 until restrained by order of this Court, will cause great and irreparable harm to ST.

15
16 **PRAYER FOR RELIEF**

17 WHEREFORE, Complainant ST prays for the following relief:

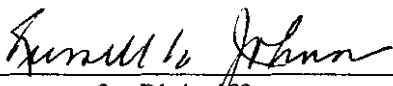
- 18 A. That plaintiff be awarded its actual damages, in an amount to be proven at trial;
19 B. That plaintiff be awarded its incidental and consequential damages in an amount
20 to be proven at trial;
21 C. That plaintiff be awarded exemplary damages according to proof at trial;
22 D. That ownership of all patents which issued or claim priority from the
23 applications filed by Harari during and after his tenure as an officer and/or director of WSI,
24 which should have properly been assigned to WSI, be assigned to plaintiff, as the sole owner if
25 Harari is the sole inventor or as a co-owner if Harari is a co-inventor;
26 E. That all inventions and the patents relating thereto which were conceived of or
27 resulted from inventive activity on the part of Harari, that took place while Harari was an
28 employee, officer, and/or director of WSI, be assigned to plaintiff;

- 1 F. That plaintiff be awarded its costs;
- 2 G. That plaintiff be awarded its attorneys' fees;
- 3 H. That plaintiff be awarded pre-judgment and post-judgment interest at the
- 4 maximum legal rate; and
- 5 I. That plaintiff be granted other and further relief as this Court may deem proper.
- 6

7 Dated: October 14, 2005

SIDLEY AUSTIN BROWN & WOOD LLP

8

9 By 

10 Attorneys for Plaintiff

11 STMICROELECTRONICS, INC.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

VERIFICATION

I, Archibald McK. Malone, am Vice President-Finance and Chief Financial Officer of plaintiff STMicroelectronics, Inc. I am authorized to make this verification for and on behalf of plaintiff STMicroelectronics, Inc., and I make this verification for that reason.

I have read the foregoing **VERIFIED COMPLAINT FOR BREACH OF FIDUCIARY DUTY AND OTHER RELIEF** and know the contents thereof. I am informed and believe and on that ground allege that the matters stated in the document described above are true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 13, 2005 at Phoenix, Arizona.




EXHIBIT A

0824a
112283EMPLOYEE AGREEMENT REGARDING CONFIDENTIALITY & INVENTIONS

This Agreement is intended to formalize in writing certain understandings and procedures which have been in effect since the time I was initially employed by Wafer Scale Integration, Inc. ("Company").

In return for new or continued employment by Company, I acknowledge and agree that:

1. All previous work done by me for Company in any way to the conception, design, development or support of products for Company is the property of Company.

2. I will maintain in confidence and will not disclose or use, either during or after the term of my employment without the prior written consent of Company, any proprietary or confidential information or know-how belonging to Company ("Proprietary Information"), whether or not it is in written or permanent form, except to the extent required to perform duties on behalf of Company in my capacity as an employee. Such Proprietary Information includes, but is not limited to, technical and business information relating to Company's inventions or products, research and development, production processes, manufacturing and engineering processes, machines and equipment, finances, customers, marketing, and production and future business plans. Upon termination of my employment or at the request of my supervisor before termination, I will deliver to Company all written and tangible material in my possession incorporating the Proprietary Information or otherwise relating to Company's business. These obligations with respect to Proprietary Information extend to information belonging to customers and suppliers of Company who may have disclosed such information to me as the result of my status as an employee of the Company.

3. I will promptly disclose and describe to Company (i) all inventions, improvements, discoveries and technical developments ("Inventions"), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that Company shall receive such information in confidence. I hereby assign and agree to assign to Company my entire right, title and interest in and to such Inventions which relate in any way to or are useful in Company's business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with Company and its designee(s) both during and after my employment in the procurement and maintenance, at Company's expense and at its discretion, of patents, copyrights, and/or other protection of Company's rights in such inventions. I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of Company.

4. (a) There is no other contract or duty on my part now in existence to assign Inventions.

(b) I will not disclose or induce Company to use any confidential information or material that I am now or shall become aware of which belongs to anyone other than Company.

(c) During my employment by Company, I will not engage in any employment, consulting or other activity in any business without the Company's express written agreement.

5. All records, reports, notes, compilations, or other recorded matter, and copies or reproductions thereof, relating to Company's operations, activities or business, made or received by me during any period of employment with Company are and shall be the Company's exclusive property, and I will keep the same at all times in Company's custody and subject to its control, and will surrender the same at the termination of my employment if not before and will not take with me any reproduction of same or any Proprietary Information that is embodied in tangible medium of expression.

0824a
112283*Attachment A*

6. I have attached hereto a complete and detailed list of all inventions owned by me or by others, conceived or made by me prior to my employment by the Company. These are the only inventions which are not subject to this Agreement. In addition, I will provide the Company with a sealed envelope which contains written and pictorial descriptions of each such invention. Such envelope may be opened by the Company upon termination of my employment or five years from the date of this Agreement, whichever occurs first.

7. A breach of any of the promises or agreements contained herein will result in irreparable and continuing damage to Company for which there will be no adequate remedy of law, and Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate).

8. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I represent that I have not brought and will not bring to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer that are not generally available to the public, unless I have obtained express written authorization from the former employer for their possession and use.

9. The waiver by Company of a breach of provision of this contract by Employee shall not operate or be construed as a waiver of any other or subsequent breach by Employee. If any provision of this Agreement is held to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California. This Agreement shall be binding on me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company and its successors and assigns.

10. Company has informed me that, in accordance with Section 2872 of the California Labor Code, this Agreement does not require me to assign to Company, any invention for which no equipment, supplies, facilities or trade secret information of Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to the business of Company or (2) to Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by me for Company. This limited exclusion does not apply to any patent or invention covered by a contract between Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States. I ACKNOWLEDGE RECEIPT of a copy of this Agreement.

EMPLOYEE:

Date: 2.22.84Signature *E. Harari*Printed Name E. HARARI

COMPANY:

Date: 2/22/14By *Edward R. Martin*Title DIRECTOR, HUMAN RESOURCES
2.

ATTACHMENT A

(WSI)

List of patent disclosures belonging to Eli Harari

- FILED 1. A uniquely addressed high density RAM cell and its associated peripheral circuitry in a memory array. } U.S. Patent issued. Fully covers 1 & 2.
- FILED 2. Low power high density charge pumped static RAM cells and method of operating same in a memory array. }
- * 3. A variable threshold MOSFET with graded substrate potential.
- * 4. A double gate MOSFET with improved load characteristics.
- * 5. A fast electrically programmable, UV erasable RAM (PRAM).
- FILED 6. A high efficiency EPROM and E²PROM with drain overlap (device and process). } Three U.S. patents granted. Fully covers
- * 7. A process to minimize encroachment of bird's beak effect.
- * 8. A process for reduced diffusion parasitic capacitances by reduced field encroachment.
- * 9. A high density decoder.
- FILED 10. High density dynamic RAM relying for storage on substrate potential. } U.S. Patent granted. Fully covers
- * 11. Use of substrate potential for a radiation detector array or a thermal detector, or a sense amplifier. }
- FILED 12. Dynamic Loadless logic for serial memory and pipeline parallel signal processing. } U.S. Patent granted. Fully covers 12
- FILED 13. Dynamic RAM cell with signal amplification. } Three U.S. patents filed (Attorney designation M60, M60/1, & M60/2) Fully covers.
- FILED 14. Static RAM cell with JFET bistable element. } U.S. patent filed, Not yet granted. Fully covers 14.
- FILED 15. E²PROM cell with drain protection for read and program disturb. } U.S. Patent filed, Not yet granted. Fully covers 15.
- * 16. PROM cell with vertical filament fuse element.

* Full description of these inventions is held in a sealed envelope by Harari's patent attorney's firm in Santa Clara - Mr. Alan MacPherson is the patent attorney. 408246/405

Three patents in item 6. are covered in a separate Agreement between WSI and E. Harari. 2.13.84 E. Harari

EXHIBIT B

WAFER SCALE INTEGRATION, INC.
4633 Old Ironsides Drive, Suite 420
Santa Clara, CA 95050

February 27, 1984

KEY EMPLOYEE AGREEMENT

(Name and address of employee)

Eli Harari
2320 Friars Lane..
Los Altos, CA 94022

Wafer Scale Integration, Inc., a California corporation
(the "Company") agrees with you as follows:

1. Position and Responsibilities.

1.1 You shall serve in an executive capacity as
President and Chief Executive Officer
or in a position substantially equivalent thereto and perform the duties customarily associated with such capacity from time to time and at such place or places as the Company shall designate or as shall be appropriate and necessary in connection with such employment.

1.2 You will, to the best of your ability, devote your full time and best efforts to the performance of your duties hereunder and the business and affairs of the Company. You agree to serve as a director and/or officer of the Company if elected by the shareholders and the Board, as the case may be, and to perform such executive duties as may be assigned to you by the Company's chief executive officer or the Board of Directors from time to time.

1.3 You will duly, punctually and faithfully perform and observe any and all rules and regulations which the Company may now or shall hereafter establish governing the conduct of its business.

2. Term of Employment.

2.1 The term of your employment shall be four years commencing with the date hereof, provided your employment may be terminated at any time as provided in Section 2.2.

EXHIBIT H

2.2 The Company shall have the right, on written notice to you, to terminate your employment:

(a) immediately at any time for cause, or

(b) at any time without cause provided the Company shall be obligated to pay to you as severance pay an amount equal to 3 months' basic salary, less applicable taxes and other required withholdings and any amount you may owe to the Company, payable in equal monthly installments on the last day of each month commencing the month next following the date of termination.

2.3 For purposes of Section 2.2 and Section 7.4, the term "cause" shall mean the willful breach or habitual neglect of the duties you are required to perform under this Agreement or otherwise as an employee of the Company.

3. Compensation. The Company shall pay to you for the services to be rendered hereunder a basic salary at an annual rate of \$ 79,000, subject to increase in accordance with the policies of the Company, as determined by its Board of Directors, in force from time to time, payable in installments in accordance with Company policy. You shall also be entitled to all rights and benefits for which you shall be eligible under deferred bonus, management bonus reserve, pension, group insurance, profit-sharing or other Company benefits which may be in force from time to time and provided to you or for the Company's employees generally.

4. Other Activities During Employment.

4.1 Except with the prior written consent of the Company's chief executive officer, acting upon instructions from the Board of Directors, you will not during the term of this Agreement undertake or engage in any other employment, occupation or business enterprise other than ones in which you are a passive investor.

4.2 Except as permitted by Section 4.3, you will not acquire, assume or participate in, directly or indirectly, any position, investment or interest adverse or antagonistic to the Company, its business or prospects, financial or otherwise, or take any action towards or looking towards any of the foregoing.

4.3 During the term of your employment by the Company, except on behalf of the Company or its subsidiaries, you will not, directly or indirectly, whether as an

officer, director, stockholder, partner, proprietor, associate, representative, or otherwise, become or be interested in any other person, corporation, firm, partnership or other entity whatsoever which directly competes with the Company, throughout the world, in any line of business engaged in (or planned to be engaged in) by the Company; provided, however, that anything above to the contrary notwithstanding, you may own, as a passive investor, securities of any competitor corporation, so long as your holdings in any one such corporation shall not in the aggregate constitute more than 1% of the voting stock of such corporation.

5. Former Employment.

5.1 You represent and warrant that your employment by the Company will not conflict with and will not be constrained by any prior employment or consulting agreement or relationship. You represent and warrant that you do not possess confidential information arising out of prior employment which, in your best judgment, would be utilized in connection with your employment by the Company in the absence of Section 5.2.

5.2 If, in spite of the second sentence of Section 5.1, you should find that confidential information belonging to any former employer might be useable in connection with the Company's business, you will not intentionally disclose to the Company or use on behalf of the Company any such confidential information; but during your employment by the Company you will use in the performance of your duties all information which is generally known and used by persons with training and experience comparable to your own and all information which is common knowledge in the industry or otherwise legally in the public domain.

6. Agreement Regarding Confidentiality and Inventions. You agree to be bound by the provisions of the Employee Agreement Regarding Confidentiality and Inventions dated as of February 21, 1984 by and between you and the Company (the "Confidentiality and Inventions Agreement").

7. Post-Employment Activities.

7.1 For a period of 24 months after the termination or expiration of your employment with the Company hereunder, absent the Company's prior written approval upon instructions of its Board of Directors, you will not directly or indirectly engage in activities (similar or

reasonably related to those in which you shall have engaged hereunder during the two years immediately preceding the termination of your employment with the Company) for, nor render services (similar or reasonably related to those which you shall have rendered hereunder during such two years) to, any firm or business organization which directly competes with the Company in any line of business engaged in (or planned to be engaged in at the time of the termination of your employment with the Company) by the Company, whether now existing or hereafter established, nor shall you engage in such activities nor render such services to any other person or entity engaged or about to become engaged in such activities to, for or on behalf of any such firm or business organization, nor shall you entice, induce or encourage any of the Company's other employees to engage in any activity which, were it done by you, would violate any provision of the Confidentiality and Inventions Agreement or this Section 7.

7.2 The Company upon instructions of its Board of Directors may give you written approval(s) to personally engage in any activity or render services referred to in Section 7.1 if it secures written assurances (satisfactory to the Company and its counsel) from you and from the prospective employer(s) that the integrity of the Confidentiality and Inventions Agreement will not in any way be jeopardized by such activities, provided the burden of so establishing the foregoing to the satisfaction of the Company and said counsel shall be upon you and your prospective employer(s).

7.3 For a period 24 months following the termination of your employment by the Company, the provisions of Section 4.3 shall be applicable to you and you shall comply therewith. As applied to such 24 month period, the term "any line of business engaged in (or planned to be engaged in) by the Company", as used in Section 4.3, shall be applied as at the date of termination of your employment.

7.4 The provisions of Sections 7.1, 7.2 and 7.3 shall be of no force or effect if the termination or expiration of your employment occurs more than four years from the date of this Agreement.

8. Remedies. Your duties under the Confidentiality and Inventions Agreement and Section 7 shall survive termination of your employment with the Company. You acknowledge that a remedy at law for any breach or threatened breach by

you of the provisions of the Confidentiality and Inventions Agreement or Section 7 would be inadequate and you therefore agree that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach.

9. Post-Employment Consultation.

9.1 Upon the termination of your employment with the Company pursuant Sections 2.1 or 2.2 above, the Company shall have the option to retain you as a consultant by notifying you of its desire to so retain you within 30 days of such termination in writing mailed to you at your last address as it appears in the Company's records. Whether or not you are retained, you shall, for a period of 24 months after such termination, notify the Company of any change in address and each subsequent employment (stating the name and address of the employer and the nature of your position) or business activity in which you engage during such 24 months.

9.2 If the Company retains you as a consultant, you shall during the period of such retention hold yourself available to render consulting services in your area of expertise or special competence for up to six months for not more than sixteen hours per month, for which the Company shall pay you monthly under this Section 9 an amount equal to 25% of your monthly basic salary obtaining under Section 3 at the time of termination of your employment, whether or not you shall be called upon to render any services in any such month. Any out-of-pocket expenses which your consulting activities for the Company may require will be reimbursed against receipts and vouchers therefor in accordance with the Company's policies in force from time to time.

9.3 During any period in which you are retained by the Company as a consultant, the Company may terminate your status as a consultant by giving you 90 days' written notice, during which 90-day period you shall continue to receive your monthly consulting fee but shall not be obligated to render or hold yourself available to render any consulting services during such period. Thereafter the Company shall have no further liability for consulting fees. All other prohibitions of the Confidentiality and Inventions Agreement and Section 7 shall survive termination of your status as a consultant.

10. Post-Employment Earnings.

10.1 If after conscientious effort during any period in which you are subject to the restrictions of Section 7.1, you are unable primarily due to such restrictions to obtain a comparable position which, together with any termination payments or consulting fees then being paid to you by the Company, if any, shall be as remunerative as your monthly remuneration with the Company when your employment terminated (hereinafter your "remuneration"), then, anything in Section 9 to the contrary notwithstanding, the Company shall (subject to Section 10.3) pay to you monthly, as an additional consulting fee or otherwise, a sum (the "Guarantee") such that your then monthly remuneration shall be equal to not less than your remuneration.

10.2 In order to receive the Guarantee, you shall notify the Company in writing of the monthly amount which you believe you are entitled to under Section 10.1. You must establish such amount to the Company's reasonable satisfaction, whereupon the Company shall promptly (and in any event within 15 days of receipt of your notification) pay to you the amount of the Guarantee so established. The Company shall continue to pay such Guarantee, on a monthly basis for the duration of the restriction period under Section 7.1, unless your circumstances change so as to justify a modification or the elimination of the Guarantee, or unless the Company shall exercise its right to terminate the Guarantee under Section 10.3

10.3 The Company at any time may, upon 90 days' written notice, notify you that it prospectively shall not make any further payments of the Guarantee, whereupon you shall thenceforth cease to be bound by any of the restrictions of Section 7.1 or 7.3. All prohibitions of the Confidentiality and Inventions Agreement, however, shall survive the Company's decision not to continue the Guarantee.

11. Assignment. This Agreement and the rights and obligations of the parties hereto shall bind and inure to the benefit of any successor or successors of the Company by reorganization, merger or consolidation and any assignee of all or substantially all of its business and properties, but, except as to any such successor or assignee of the Company, neither this Agreement nor any rights or benefits hereunder may be assigned by the Company or by you.

12. Interpretation. In case any one or more of the provisions contained in this Agreement shall, for any

reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If, moreover, any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

13. Notices. Any notice which the Company is required or may desire to give to you shall be given by personal delivery or registered or certified mail, return receipt requested, addressed to you at the address of record with the Company, or at such other place as you may from time to time designate in writing. Any notice which you are required or may desire to give to the Company hereunder shall be given by personal delivery or by registered or certified mail, return receipt requested, addressed to the Company at its principal office, or at such other office as the Company may from time to time designate in writing. The date of personal delivery or the date of mailing any such notice shall be deemed to be the date of delivery thereof.

14. Waivers. If either party should waive any breach of any provision of this Agreement, he or it shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

15. Complete Agreement; Amendments. The foregoing, together with an Employee Stock Purchase Agreement and Confidentiality and Inventions Agreement between you and the Company, is the entire agreement of the parties with respect to the subject matter hereof and thereof and may not be amended, supplemented, cancelled or discharged except by written instrument executed by both parties hereto.

16. Headings. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof.

If you are in agreement with the foregoing, please so indicate by signing and returning the enclosed copy of this letter.

WAFER SCALE INTEGRATION, INC.

By Edward L. Martin

ACCEPTED AND AGREED:

Eli Havari
Employee

EXHIBIT C

AGREEMENT

THIS AGREEMENT is made by and between ELIYAHOU HARARI, 2320 Friars Lane, Los Altos, California 94022 (hereinafter "Harari") and WAFERSCALE INTEGRATION, INC., a California corporation having its principal place of business at 47280 Kato Road, Fremont, California 94538 (hereinafter "WSI") and is entered into as of February 29, 1988.

WHEREAS, WSI has requested that Harari resign his positions as an employee and officer of WSI; and

WHEREAS, Harari has agreed to resign such positions.

NOW, THEREFORE, WSI and Harari agree as follows:

ARTICLE 1

1.1 Harari agrees to resign the above-referenced positions and WSI accepts such resignation effective on February 28, 1988 (the "Termination Date").

1.2 WSI agrees that Harari was not terminated for "cause" as that term is used in Harari's Key Employee Agreement dated February 27, 1984.

1.3 WSI hereby agrees to extend to Harari, to the same extent as WSI's other directors and officers, the arrangements to protect WSI's directors and officers against liability authorized by WSI's Board of Directors at its meeting on December 10, 1987. Harari acknowledges that approval of such arrangements by WSI's shareholders is required before such arrangements become effective and WSI agrees to submit such arrangements to its shareholders for consideration promptly.

1.4 The parties agree that WSI will continue to nominate Harari for reelection as a director of WSI until an IPO, unless a mutual agreement is reached for his earlier resignation from WSI's Board; provided, however, that in the event the Board of Directors of WSI determines that Harari is pursuing activities in conflict with his duties and responsibilities to WSI, Harari upon request of the Board shall resign as a director and WSI shall have no further obligation to nominate Harari for reelection.

1.5 WSI agrees that Harari's resignation is under conditions permitting Harari to license the "Harari Patents" to third parties under paragraph 2.6 of the "Patent Agreement." "Harari Patents" shall mean the patents licensed by Harari to WSI under the Patent Agreement entered into between WSI and Harari on February 28, 1984, and amended on June 5, 1984 (the "Patent Agreement").

1.6 Harari shall not, for a period of twenty-four (24) months after the Termination Date, without WSI's consent, solicit or induce any employee of WSI to cease to be employed by WSI, or hire or induce to join Harari or any entity which employs Harari or in which Harari has an interest in any capacity, any employee of WSI, and any person who, within 30 days prior to the date such person is hired by or joins Harari or such entity, was an employee of WSI.

ARTICLE 2

2.1 Promptly after the execution and delivery of this Agreement by Harari and WSI, WSI shall pay Harari a 1987 bonus in the amount of \$15,000, reduced for all applicable taxes and required withholdings. At the Termination Date, Harari shall receive from WSI a payment equal to the sum of accrued salary and accrued vacation. Starting with the next regular pay period of WSI commencing after the Termination Date, WSI will pay to Harari, as severance pay and in consideration of Harari's consulting obligations provided for in Section 2.4 below, an amount equal to eleven months of Harari's current base salary, payable in equal installments every two weeks over an eleven month period. Such payments will be made on WSI's regular salary payment dates and will be reduced for all applicable taxes and required withholdings. Except as expressly provided in this Agreement, WSI shall have no obligation to pay to Harari, and Harari shall have no right or claim to receive from WSI, any severance or similar payments in connection with the cessation of his employment by WSI. WSI will continue to pay for Harari's health care and life insurance benefits at the current level for a period of 11 months after the Termination Date.

2.2 WSI will extend the term of Harari's Promissory Note dated February 21, 1984, in the amount of \$22,000 plus accrued interest until the earlier of 6 months after the date of WSI's IPO or January 2, 1992; provided, however, that until Harari's obligations under the Promissory Note are paid in full, Harari shall pay to WSI 20% of the total proceeds from each sale of WSI stock by Harari, promptly after the completion of each such sale. Each such payment will be credited first to accrued and unpaid interest and then to unpaid principal. Except as modified by this Agreement, such Promissory Note and related Joint Escrow Instructions dated February 21, 1984, shall remain in full force and effect.

2.3 (a) WSI will not prevent, impede or delay any transfer by Harari of any of Harari's WSI shares in any transaction exempt from registration under applicable federal and state securities laws, and as to which Harari has

complied with the transfer requirements provided for in Harari's February 21, 1984 investment letter.

(b) Harari will be entitled to transfer registration rights to transferees of Harari's WSI shares in accordance with Section 8 of Harari's Founders' Registration Rights Agreements dated as of February 21, 1984, which registration rights will be subject to all of the terms and conditions set forth in such agreement, as amended. Section 10 of such agreement is hereby amended to extend the lockup or standoff period provided for therein from 120 days to 150 days and to remove any requirement that all holders of registration rights enter into similar lockup agreements as a condition to Harari's lockup obligation, and Harari hereby agrees to be bound by such Section 10, as amended.

2.4 For a period of eleven months after the Termination Date, Harari will be available to WSI to provide consultation as reasonably requested by WSI up to 32 hours per month and Harari hereby agrees to provide such consultation. Such consultation will be, at WSI's discretion, in the areas of strategic partnerships, present and/or future foundries or pilot lines, investor relations and financing, personnel and administration. Consultation in the areas of current and new technology, new devices, or new products and markets will be specifically excluded except where mutually agreed on a case by case basis. Any consultation up to 32 hours per month during the eleven months period following the Termination Date shall be provided by Harari without additional compensation beyond the payments provided for in Section 2.1 above.

2.5 At its option, WSI may extend by 6 months the period during which Harari will be available to provide consultation to WSI under the terms of Section 2.4, and Harari hereby agrees to provide such consultation.

2.6 WSI shall pay Harari for all consulting provided by Harari above 32 hours per month during the eleven month period following the Termination Date, and for all consulting provided by Harari during the extended consulting period provided in Section 2.5, consulting fees at the rate of \$1,000 per 8-hour day (or equivalent), such consulting fees to be paid in arrears on WSI's regular salary payment dates and to be reduced for all applicable taxes and required withholdings.

2.7 Out-of-pocket expenses required by Harari's consulting activities for WSI will be reimbursed against receipts therefor in accordance with WSI's policies in force from time to time.

2.8 WSI will reimburse Harari reasonable legal expenses incurred in connection with this Agreement not to exceed \$5,000.

ARTICLE 3

3.1 Except with respect to the obligations created by, acknowledged, or arising out of this Agreement, Harari does hereby for himself and his legal successors and assigns, release and discharge WSI and its shareholders, officers, directors, employees, agents, attorneys, legal successors and assigns, of and from any and all claims, actions and causes of action, whether now known or unknown, suspected or unsuspected which Harari now has, owns or holds or at any other time had, owned or held or shall or may have, own or hold against any of the foregoing based upon or arising out of any matter, cause, fact, thing, act or omission whatsoever occurring or existing at any time to and including the date hereof (all of which are hereinafter referred to as and included within the "Released Matters"). As used in this Article 4, WSI includes any and all parents, divisions and subsidiaries of WSI.

3.2 Harari acknowledges that he is familiar with Section 1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Harari waives any right or benefit which he has or may have under Section 1542 of the Civil Code of the State of California to the full extent that he may lawfully waive all such rights and benefits pertaining to the subject matter of this Agreement. Harari acknowledges that he is aware that he may hereafter discover claims or facts in addition to or different from those which he now knows or believes to exist with respect to the subject matter of this Agreement or WSI, and that it is his intention hereby fully, finally and forever to settle and release all of the Released Matters in consideration of WSI's execution and delivery of this Agreement. The release herein given shall remain in effect as a full and complete release notwithstanding the discovery or existence of any additional or different claim or fact.

3.3 Harari acknowledges and agrees that he shall continue to be bound by and comply with the terms of his Employee Agreement Regarding Confidentiality and Inventions dated February 22, 1984, a copy of which is attached to this Agreement.

ARTICLE 4

4.1 This Agreement is personal to the parties and may not be assigned except (a) in the case of Harari's death, to his estate, or (b) by WSI to a third party in connection with any sale to or acquisition by such third party of that number of shares or other form of equity of WSI (or any entity to which WSI has assigned, in accordance with the terms hereof, the rights granted herein) representing the right to control WSI or any such entity, or upon a sale to any such third party of all or substantially all of the assets of WSI or such entity, provided that such third party assumes all the obligations of WSI as specified in this Agreement. Subject to the foregoing sentence, this Agreement and the rights and obligations of the parties set forth herein shall inure to the benefit of, and shall be binding upon, WSI's and Harari's successors and assigns.

4.2 This Agreement sets forth the entire understanding between the parties as to its subject matter and merges all prior discussions between them, and no one of the parties shall be bound by any modification, or by any conditions, definitions, warranties, or representations, with respect to the subject matter of this Agreement, other than as is expressly provided in this Agreement, or as duly set forth subsequent to the date hereof in writing signed by a duly authorized representative thereof.

4.3 A notice, request, or statement hereunder shall be deemed to be sufficiently given or rendered when sent by certified mail and addressed to the addresses given above or to such other address as may be specified by written notice.

4.4 This Agreement may be executed in counterparts which, taken together, shall constitute one and the same agreement and shall be effective as of the date first written above.

4.5 This Agreement shall be governed by and construed in accordance with California law.

IN WITNESS WHEREOF, the parties have executed this Agreement making it effective as of the day first above written.

Date: 2.29.88

Eli Harari, Chairman
Eliyahou Harari

WAFERSCALE INTEGRATION, INC.

Date: 2/29/88

By: [Signature]
Title: PRESIDENT

0824a
112283EMPLOYEE AGREEMENT REGARDING CONFIDENTIALITY & INVENTIONS

This Agreement is intended to formalize in writing certain understandings and procedures which have been in effect since the time I was initially employed by Wafer Scale Integration, Inc. ("Company").

In return for new or continued employment by Company, I acknowledge and agree that:

1. All previous work done by me for Company in any way to the conception, design, development or support of products for Company is the property of Company.

2. I will maintain in confidence and will not disclose or use, either during or after the term of my employment without the prior written consent of Company, any proprietary or confidential information or know-how belonging to Company ("Proprietary Information"), whether or not it is in written or permanent form, except to the extent required to perform duties on behalf of Company in my capacity as an employee. Such Proprietary Information includes, but is not limited to, technical and business information relating to Company's inventions or products, research and development, production processes, manufacturing and engineering processes, machines and equipment, finances, customers, marketing, and production and future business plans. Upon termination of my employment or at the request of my supervisor before termination, I will deliver to Company all written and tangible material in my possession incorporating the Proprietary Information or otherwise relating to Company's business. These obligations with respect to Proprietary Information extend to information belonging to customers and suppliers of Company who may have disclosed such information to me as the result of my status as an employee of the Company.

3. I will promptly disclose and describe to Company (i) all inventions, improvements, discoveries and technical developments ("Inventions"), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that Company shall receive such information in confidence. I hereby assign and agree to assign to Company my entire right, title and interest in and to such Inventions which relate in any way to or are useful in Company's business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with Company and its designee(s) both during and after my employment in the procurement and maintenance, at Company's expense and at its discretion, of patents, copyrights, and/or other protection of Company's rights in such inventions. I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of Company.

4. (a) There is no other contract or duty on my part now in existence to assign Inventions.

(b) I will not disclose or induce Company to use any confidential information or material that I am now or shall become aware of which belongs to anyone other than Company.

(c) During my employment by Company, I will not engage in any employment, consulting or other activity in any business without the Company's express written agreement.

5. All records, reports, notes, compilations, or other recorded matter, and copies or reproductions thereof, relating to Company's operations, activities or business, made or conceived by me during any period of employment with Company are and shall be the Company's exclusive property, and I will keep the same at all times in Company's custody and subject to its control, and will surrender the same at the termination of my employment if not before and will not take with me any reproduction of same or any Proprietary Information that is embodied in tangible medium of expression.

0824a
112283*Attachment A*

5. I have attached hereto a complete and detailed list of all inventions owned by me or by others, conceived or made by me prior to my employment by the Company. These are the only inventions which are not subject to this Agreement. In addition, I will provide the Company with a sealed envelope which contains written and pictorial descriptions of each such invention. Such envelope may be opened by the Company upon termination of my employment or five years from the date of this Agreement, whichever occurs first.

7. A breach of any of the promises or agreements contained herein will result in irreparable and continuing damage to Company for which there will be no adequate remedy of law, and Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including monetary damages if appropriate).

8. I represent that my performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my employment by the Company. I represent that I have not brought and will not bring to the Company or use in the performance of my responsibilities at the Company any materials or documents of a former employer that are not generally available to the public, unless I have obtained express written authorization from the former employer for their possession and use.

9. The waiver by Company of a breach of provision of this contract by Employee shall not operate or be construed as a waiver of any other or subsequent breach by Employee. If any provision of this Agreement is held to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way. This Agreement shall be construed in accordance with, and governed by, the laws of the State of California. This Agreement shall be binding on me, my heirs, executors, assigns and administrators and shall inure to the benefit of the Company and its successors and assigns.

10. Company has informed me that, in accordance with Section 2872 of the California Labor Code, this Agreement does not require me to assign to Company, any invention for which no equipment, supplies, facilities or trade secret information of Company was used and which was developed entirely on my own time, and (a) which does not relate (1) to the business of Company or (2) to Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by me for Company. This limited exclusion does not apply to any patent or invention covered by a contract between Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States. I ACKNOWLEDGE RECEIPT of a copy of this Agreement.

EMPLOYEE:

Date: 2.22.84Signature *E. Harari*E. HARARI
Printed Name

COMPANY:

L : 2/22/84By *Edward R. Martin*Title DIRECTOR, HUMAN RESOURCES
2.

List of patent disclosures belonging to Eli Harari

- ED 1. A uniquely addressed high density RAM cell and its associated peripheral circuitry in a memory array. } U.S. Patent issued.
- ED 2. Low power high density charge pumped static RAM cells and method of operating same in a memory array. } Fully covers 1 & 2.
- * 3. A variable threshold MOSFET with graded substrate potential.
- * 4. A double gate MOSFET with improved load characteristics.
- * 5. A fast electrically programmable, UV erasable RAM (PRAM).
- ED 6. A high efficiency EPROM and E²PROM with drain overlap (device and process). } Three U.S. patents granted. Fully covers 6.
- * 7. A process to minimize encroachment of bird's beak effect.
- * 8. A process for reduced diffusion parasitic capacitances by reduced field encroachment.
- * 9. A high density decoder.
- ED 10. High density dynamic RAM relying for storage on substrate potential. } U.S. Patent granted. Fully covers.
- * 11. Use of substrate potential for a radiation detector array or a thermal detector, or a sense amplifier.
- ED 12. Dynamic Loadless logic for serial memory and pipeline parallel signal processing. } U.S. Patent granted. Fully covers 12.
- ED 13. Dynamic RAM cell with signal amplification. } Three U.S. patents filed (Attorney designation M60, M60/1, M60/2). Fully covers 13.
- NG 14. Static RAM cell with JFET bistable element. } U.S. patent filed, Not yet granted. Fully covers 14.
- ED 15. E²PROM cell with drain protection for read and program disturb. } U.S. Patent filed, Not yet granted. Fully covers 15.
- * 16. PROM cell with vertical filament fuse element.

* Full description of these inventions is held in a sealed envelope by Harari's patent attorney's firm in Santa Clara - Mr. Alan MacPherson is the patent attorney.
408246/405

Three patents in item 6. are covered in a separate Agreement between WSI and E. Harari. 2.13.84
E. Harari



Superior Court of California, County of Alameda
 Hayward Hall of Justice
 24405 Amador Street
 Hayward, CA 94544

Receipt Nbr: 181293
 Clerk: dosilva
 Date: 10/14/2005

Type	Case Number	Description	Amount
Filing	HG05237216	Complaint Business Tort/Unfair Busi	\$314.50

Total Amount Due: \$314.50
 Prior Payment:
 Current Payment: \$314.50
 Balance Due: \$.00
 Overage:
 Excess Fee:
 Change:

Payment Method:
 Cash:
 Check: \$314.50

Exhibit B

Michael A. Ladra, State Bar No. 64307
 James C. Yoon, State Bar No. 177155
 Steven S. Baik, State Bar No. 184622
 WILSON SONSINI GOODRICH & ROSATI
 Professional Corporation
 650 Page Mill Road
 Palo Alto, CA 94304-1050
 Telephone: (650) 493-9300
 Facsimile: (650) 565-5100
mladra@wsgr.com
jyoon@wsgr.com
sbaik@wsgr.com

Attorneys for Defendants
 Eliyahou Harari
 SanDisk Corporation

UNITED STATES DISTRICT COURT
 NORTHERN DISTRICT OF CALIFORNIA

STMICROELECTRONICS, INC., a corporation)
)
 Plaintiff,)
)
 vs.)
)
 ELIYAHOU HARARI, an individual;)
 SANDISK CORPORATION, a corporation; and)
 DOES 1 to 20, inclusive.)
)
 Defendants.)

CASE NO.:
**NOTICE OF REMOVAL TO THE
 UNITED STATES DISTRICT
 COURT FOR THE NORTHERN
 DISTRICT OF CALIFORNIA
 UNDER 28 U.S.C. § 1441(a) & (b)**

PLEASE TAKE NOTICE that defendants Eliyahou Harari ("Harari"), an individual, and SanDisk Corporation ("SanDisk"), a Delaware corporation, hereby remove to this Court the state court action described below:

1. On October 14, 2005, an action was commenced by plaintiff STMicroelectronics, Inc. ("ST") in the Superior Court for the County of Alameda, captioned *STMicroelectronics, Inc. v. Harari*, Case No. HG 05237216. A copy of the Complaint is attached as Exhibit A.
2. Defendant SanDisk was served with the complaint on October 17, 2005. A copy of the notice is attached as Exhibit B.

1 3. This action is a civil action of which this Court would have original jurisdiction under
2 28 U.S.C. § 1331 and/or 28 U.S.C. § 1338, and which may be removed to this Court pursuant to
3 28 U.S.C. § 1441(a)&(b), because the complaint raises a federal question and this is a civil action
4 arising under the laws of the United States.

5 4. Removal is timely because less than 30 days have elapsed between service of this suit
6 and this Notice of Removal as is required by 28 U.S.C. § 1446(b), therefore this action may
7 properly be removed to this Court under 28 U.S.C. § 1441(a)&(b).

8 5. Although ST claims that none of the causes of action in the complaint “involve the
9 construction or application of federal law, including the patent laws of the United States,” the
10 allegations in its complaint reveal that it is, in fact, pursuing claims that involve questions of
11 federal patent law. Exh. A at ¶ 54. For example, in its complaint, ST raises issues surrounding
12 the inventorship of several patents on which defendant Harari is a named inventor. *See, e.g.*,
13 Exh. A at ¶ 29. Thus, federal patent law is a necessary and essential element to ST’s claims and
14 removal is proper under 28 U.S.C. § 1441(b).

15 6. The issue of defendant SanDisk’s ownership of patents raised in the complaint is also
16 subject to the original jurisdiction of this Court. There exist three pending cases between
17 SanDisk and ST in which SanDisk has alleged ownership of and infringement by ST of patents
18 that are claimed in the complaint for this action: *SanDisk Corp. v. STMicroelectronics, Inc.*, case
19 number C04-04379 JF, Northern District of California; *In the Matter of Certain NAND Flash*
20 *Memory Circuits and Products Containing Same*, Investigation No. 337-TA-526, International
21 Trade Commission; and *STMicroelectronics, Inc. v. SanDisk Corp.*, case number 4:05 CV00045,
22 Eastern District of Texas. Therefore this action may properly be removed to this Court under 28
23 U.S.C. § 1441(a).

24 7. Because original jurisdiction for this action exists in Federal Court, this action may
25 also be properly removed under the All Writs Act, 28 U.S.C. § 1651.

26 8. A copy of all process, pleadings, and orders served upon defendants is filed with this
27 notice. As required by 28 U.S.C. § 1446(d), defendants will provide written notice of the filing
28

1 of this notice to ST and also file a copy of this notice with the clerk of the Superior Court of the
2 State of California, County of Alameda.

3 **CERTIFICATE OF INTERESTED ENTITIES OR PERSONS**

4 Pursuant to Civil L.R. 3-16, the undersigned certifies that as of this date, other than the
5 named parties, there is no such interest to report.

6
7
8 Dated: November 15, 2005

Respectfully submitted,

9
10 WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

11
12 By: 
13 Michael A. Ladra

14 Attorneys for Defendants
15 Eliyahou Harari
SanDisk Corporation
16
17
18
19
20
21
22
23
24
25
26
27
28

Exhibit C

E-Filed 7/18/06

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

STMICROELECTRONICS, INC.,
Plaintiff,
v.
ELIYAHOU HARARI, et al.,
Defendants.

Case Number C 05-4691 JF

ORDER¹ GRANTING PLAINTIFF'S
MOTION FOR RECONSIDERATION
AND REMANDING ACTION TO
ALAMEDA COUNTY SUPERIOR
COURT

[re: doc. no. 39]

Plaintiff STMicroelectronics, Inc. ("Plaintiff" or "ST") filed the instant action in the Alameda County Superior Court on October 14, 2005, asserting seven state law claims for: (1) breach of fiduciary duty; (2) breach of written contract; (3) fraud; (4) conversion; (5) inducing breach of contract; (6) unjust enrichment; and (7) unfair competition under California Business & Professions Code § 17200 ("§ 17200"). Defendants Eliyahou Harari ("Harari") and SanDisk Corporation ("SanDisk") removed the action to this Court on November 16, 2005 on the ground that adjudication of the state law claims alleged in the complaint requires resolution of a substantial issue of patent law. This Court denied Plaintiff's motion for remand by order dated

¹ This disposition is not designated for publication and may not be cited.

March 20, 2006 (“March 20 Order). Plaintiff seeks reconsideration of that order. The Court has considered the briefing of the parties as well as the oral arguments presented at the hearing on June 9, 2006. For the reasons discussed below, the Court will grant Plaintiff’s motion for reconsideration and will remand the action to the Alameda County Superior Court.²

I. BACKGROUND

This Court’s March 20 Order sets forth the factual and procedural background of this case, which need not be repeated in full. As relevant here, Harari was a co-founder and key employee of Wafer Scale Integration (“WSI”), the predecessor company of Plaintiff ST. Harari signed various agreements with WSI, including the agreement central to the instant dispute, the “Employee Agreement Regarding Confidentiality & Inventions” (“Inventions Agreement”). The relevant paragraph of that agreement reads in its entirety as follows:

3. I will promptly disclose and describe to Company (i) *all inventions, improvements, discoveries and technical developments (“Inventions”), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that Company shall receive such information in confidence. I hereby assign and agree to assign to Company my entire right, title and interest in and to such Inventions which relate in any way to or are useful in Company’s business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with Company and its designee(s) both during and after my employment in the procurement and maintenance, at Company’s expense and at its discretion, of patents, copyrights, and/or other protection of Company’s rights in such inventions. I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of Company.*

Inventions Agreement ¶ 3 (emphasis added).

WSI was in the business of designing and selling programmable system devices, including memory systems. While serving as a director and consultant to WSI, Harari filed four patent applications without disclosure to WSI. After submitting his resignation to WSI but before such resignation was accepted, Harari filed two more patent applications without disclosure to WSI. ST claims that all the inventions described in the applications were conceived during the term of Harari’s employment and related to WSI’s business, and thus that the

² Because it concludes that remand is appropriate, the Court will not address Defendants’ pending motion for summary judgment and Plaintiff’s motion pursuant to Federal Rule of Civil Procedure 56(f), both of which also were argued on June 9, 2006.

1 inventions described in the applications fell within Harari's disclosure and assignment
2 obligations. Fifty patents³ have issued from the six applications, all listing Harari as sole
3 inventor or co-inventor. All fifty patents have been assigned to SanDisk, a company started by
4 Harari that competes directly with ST.

5 II. PRIOR ORDER DENYING MOTION FOR REMAND

6 As set forth in the March 20 Order, Defendants assert that federal jurisdiction exists
7 because adjudication of Plaintiff's state law claims "necessarily depends on resolution of a
8 substantial question of federal patent law." *See Christianson v. Colt Indus. Operating Corp.*, 486
9 U.S. 800, 809 (1988). Specifically, Defendants assert that adjudication of Plaintiff's claims
10 requires an inventorship analysis; it is well-settled that inventorship raises a substantial question
11 of federal law. *See MCV, Inc. v. King-Seely Thermos Co.*, 870 F.2d 1568, 1571 (Fed. Cir. 1989).
12 Plaintiff asserts that its state law claims do not implicate inventorship issues at all, but rather
13 implicate only issues of ownership. Ownership and inventorship issues are completely separate
14 issues. *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993). Ownership
15 "is a question of who owns legal title to the subject matter in a patent," while "inventorship is a
16 question of who actually invented the subject matter claimed in a patent." *Id.*

17 In its March 20 Order, the Court rejected two of Defendants' arguments. First,
18 Defendants claimed that Plaintiff seeks assignment of *all* of the patents that issued from the six
19 disputed applications, even those as to which Harari was a co-inventor rather than the sole
20 inventor. Defendants argued that in order for Plaintiff to prevail on those claims, a court would
21 have to determine that Harari actually was the sole inventor of the patents, such that assignment
22 to Plaintiff of Harari's rights would result in assignment of the patents in their entirety. The
23 Court concluded that Defendants were reading Plaintiff's complaint too broadly, and that fairly
24
25

26
27 ³ Plaintiff states that fifty patents have issued from the subject applications, while
28 Defendants state that forty-eight patents have issued. This discrepancy does not bear on the
Court's analysis. For ease of reference, the Court uses the number fifty throughout this order.

1 read, the complaint actually seeks assignment only of *Harari's interest* in each of the patents.⁴

2 Second, the Court rejected Defendants' argument that Plaintiff is relying on violation of
3 patent laws to support its state law unfair competition claim under § 17200. The Court
4 concluded that the § 17200 claim is based upon breaches of state law fiduciary and contractual
5 obligations and thus does not implicate federal patent laws.

6 What the Court did find persuasive was Defendants' argument that Harari's disclosure
7 and assignment obligations extended only to those *portions* of the patented inventions that Harari
8 personally conceived during his employment with WSI. Under this construction of the
9 Inventions Agreement, Harari's "inventive contribution" to each patent must be identified before
10 it can be determined whether the patented invention fell within Harari's disclosure and
11 assignment obligations. Having reconsidered the matter, the Court now believes that this view is
12 erroneous, for the reasons discussed below.

13 III. RECONSIDERATION

14 It is unclear how Defendants, and subsequently the Court, came to inject the phrase
15 "inventive contribution" into the discussion of Harari's contractual disclosure and assignment
16 obligations. The phrase does not appear in the Inventions Agreement and, indeed, the express
17 language of that agreement directly contradicts the notion that only Harari's "inventive
18 contributions" had to be disclosed and assigned. As noted above, the Inventions Agreement
19 required *disclosure* of "all inventions ... made or conceived by [Harari], either alone or with
20 others, during the term of [Harari's] employment." Inventions Agreement ¶ 3. Accordingly,
21 Harari was obligated to disclose the inventions described in the six disputed patent applications,
22 regardless of whether those inventions were conceived by Harari alone or with others, if the
23 inventions were conceived during the term of Harari's employment. This disclosure obligation
24 was not limited to Harari's "inventive contribution" to such inventions and likewise was not
25 limited to any particular subject matter; Harari was required to disclose *all* inventions, period, as
26

27 ⁴ Plaintiff's counsel confirmed this reading of the complaint at the original hearing on the
28 motion for remand.

1 long as the temporal limitation in the Inventions Agreement was met (i.e., as long as the
2 invention was conceived during Harari's term of employment).

3 The Inventions Agreement also required *assignment* of Harari's "entire right, title and
4 interest in and to such Inventions which relate in any way to or are useful in Company's business
5 as presently conducted or as conducted at any future time during [Harari's] employment." *Id.*
6 This language did not require assignment of Harari's "inventive contribution" to such inventions;
7 it required assignment of Harari's *entire right* to any invention, whether conceived alone or with
8 others, that meets the temporal limitation (i.e., that was conceived during Harari's term of
9 employment) and that meets the subject matter limitation (i.e., that was related to or useful to
10 WSI's business).

11 It is undisputed that Harari is named as sole inventor or co-inventor on the fifty patents at
12 issue. "Patent issuance creates a presumption that the named inventors are the true and only
13 inventors." *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998).
14 "Because conception is the touchstone of inventorship, each joint inventor must generally
15 contribute to the conception of the invention." *Id.* (internal quotation marks and citation
16 omitted). "[E]ach co-inventor presumptively owns a pro rata undivided interest in the entire
17 patent, no matter what their respective contributions." *Id.* at 1465. As a matter of law, then, the
18 fact that Harari is named as a sole inventor or co-inventor on the patents at issue establishes that
19 he contributed to the conception of the inventions described therein and that he thereafter
20 acquired a pro rata undivided interest in each patent for which he is named an inventor. Because
21 he was required to disclose to WSI *all* inventions that he conceived *alone or with others* during
22 his term of employment, and to assign *his entire right* in such inventions if they related to WSI's
23 business, there is no need to inquire into Harari's precise inventive contribution. The only
24 relevant questions are whether the inventions described in the subject patents were "made or
25 conceived" during Harari's term of employment and, if so, whether the patented inventions
26 related to WSI's business as conducted during Harari's term of employment.

27 Defendants argue that these questions – whether the patented inventions meet the
28 temporal and subject matter limitations of the Inventions Agreement – require an inventorship

1 analysis that implicates federal law. The *AT&T* decision cited by both sides suggests otherwise.
2 In that case, AT&T brought a state court action against four of its former employees⁵ and
3 Integrated Network Corp. (“INC”), seeking title of a patent. *Am. Tel. & Tel. Co. v. Integrated*
4 *Network Corp.*, 972 F.2d 1321, 1322 (Fed. Cir. 1992). AT&T claimed that the four former
5 employees were contractually obligated to assign the patent to AT&T under an inventions
6 agreement but breached their contractual obligations by assigning the patent to INC instead. The
7 inventions agreement obligated the four individual defendants to assign to AT&T all of their
8 rights in inventions conceived during their employment. *Id.* at 1323. The Federal Circuit held
9 that whether the invention was “conceived” during the individual defendants’ employment did
10 not present a substantial question of patent law, noting that “when an invention was conceived
11 may be more a question of common sense than patent law.” *Id.* at 1324. Accordingly, this Court
12 concludes that whether the patented inventions were “made or conceived” during Harari’s term
13 of employment presents a factual question that does not implicate a substantial question of patent
14 law.

15 The subject matter limitation likewise can be resolved without reference to federal patent
16 law. The question is whether the subject patented inventions “relate in any way to or are useful”
17 to WSI’s business as conducted during Harari’s term of employment. This factual determination
18 will require a comparison of the patented inventions with WSI’s business at the relevant time. It
19 will not require any inventorship analysis.

20 Because it concludes that adjudication of Plaintiff’s state law claims does not require
21 resolution of a substantial question of patent law, the Court will set aside its prior ruling and will
22 grant Plaintiff’s motion for remand on the ground of lack of subject matter jurisdiction. *See* 28
23 U.S.C. § 1447(c) (providing that “[i]f at any time before final judgment it appears that the district
24 court lacks subject matter jurisdiction, the case shall be remanded”). Defendants have requested
25 that, in the event the Court is inclined to reconsider the aspect of the March 20 Order discussed
26

27 ⁵ The individual defendants actually were employed by Bell Telephone Laboratories, a
28 wholly owned subsidiary that merged into AT&T.

1 above, they be given an opportunity to seek reconsideration of other aspects of the March 20
2 Order. The Court has reexamined the complaint, all of the briefing to date, and the relevant
3 authorities, and concludes that there is no potential basis for reconsideration of the aspects of the
4 March 20 Order to which Defendants refer. Accordingly, the Court will not delay in remanding
5 the action to the Alameda County Superior Court.

6 In its motion for remand, Plaintiff requested an award of costs and attorneys' fees
7 pursuant to 28 U.S.C. § 1447(c). Although after reconsideration it has concluded that removal
8 was improper, the Court will deny Plaintiff's request because – as evidenced by the Court's
9 initial ruling – the removal was not objectively unreasonable. *See Martin v. Franklin Capital*
10 *Corp.*, — U.S. —, 126 S.Ct. 704, 711 (2005) (holding that “[a]bsent unusual circumstances,
11 courts may award attorney’s fees under § 1447(c) only where the removing party lacked an
12 objectively reasonable basis for seeking removal”).

13 IV. ORDER

- 14 (1) Plaintiff's motion for reconsideration of the Court's March 20 Order is
15 GRANTED;
16 (2) the instant action is REMANDED to the Alameda County Superior Court;
17 (3) Plaintiff's motion for costs and attorneys' fees is DENIED; and
18 (3) the Clerk of the Court SHALL TRANSMIT the file in this action to the Alameda
County Superior Court forthwith and SHALL CLOSE this Court's file.

19
20
21
22 DATED: July 18, 2006

23
24
25
26
27
28

JEREMY FOGEL
United States District Court

1 This Order has been served upon the following persons:

3 Edward V. Anderson evanderson@sidley.com, nye@sidley.com

4 Steven S. Baik , Esq sbaik@wsgr.com, cphillips@wsgr.com

5 Kevin P. Burke kburke@sidley.com, sheila.brown@sidley.com

6 Teague I. Donahey tdonahey@sidley.com, sheila.brown@sidley.com

7 Russell L. Johnson rljohnson@sidley.com, sheila.brown@sidley.com

8 Michael A. Ladra mladra@wsgr.com

9 Monica Mucchetti mmucchetti@wsgr.com, dfernandes@wsgr.com

10 Bart Edward Volkmer , Esq bvolkmer@wsgr.com

11 James C. Yoon jyoon@wsgr.com, abaranski@wsgr.com; nfurino@wsgr.com

Exhibit D

MICHAEL A. LADRA, State Bar No. 064307
TERRY T. JOHNSON, State Bar No. 121569
JAMES C. YOON, State Bar No. 177155
MATTHEW R. REED, State Bar No. 196305
WILSON SONSINI GOODRICH & ROSATI
Professional Corporation
650 Page Mill Road
Palo Alto, CA 94304-1050
Telephone: (650) 493-9300
Facsimile: (650) 565-5100

Attorneys for Defendants
ELIYAHOU HARARI and
SANDISK CORPORATION

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SANTA CLARA

STMICROELECTRONICS, INC.,

Plaintiff,

v.

ELIYAHOU HARARI, *et al.*,

Defendants.

CASE NO.: 1-07-CV-080123

**DEFENDANTS' NOTICE OF MOTION
AND MOTION FOR JUDGMENT ON
THE PLEADINGS; MEMORANDUM
IN SUPPORT THEREOF**

Date: March 11, 2008

Time: 9:00 a.m.

Dept.: 10

Judge: Honorable Neal Cabrinha

No Trial Date Set

TABLE OF CONTENTS

	<u>Page</u>
NOTICE OF MOTION & MOTION FOR JUDGMENT ON THE PLEADINGS	1
MEMORANDUM OF POINTS & AUTHORITIES	2
I. INTRODUCTION.....	2
II. FACTUAL BACKGROUND	3
A. The Parties and the Relevant Agreements.....	3
B. ST's Claims in This Case	4
C. Procedural History.....	5
III. ARGUMENT	6
A. Legal Standard.....	6
B. This Court Does Not Have Subject Matter Jurisdiction Over ST's Claims that Seek Assignment to ST of Rights in and to Co-Invented Patents	6
1. The Federal Courts Have Exclusive Jurisdiction to Resolve Substantial Questions of Federal Patent Law.....	6
2. State Courts Do Not Have Jurisdiction to Determine the Nature of a Co-Inventor's Contribution to a Patent	7
3. ST's Alleged Right to Relief Requires a Determination of Dr. Harari's Contribution to Each Invention Claimed in the Co-Invented Patents	9
4. This Court Conducts an Independent Evaluation of the Jurisdiction Question	11
IV. CONCLUSION	13

TABLE OF AUTHORITIES**Page(s)****CASES**

1		
2		
3		
4	<i>AT&T Commc'ns, Inc. v. Superior Court</i> , 21 Cal. App. 4th 1673 (1994), <i>review</i>	
5	<i>denied</i> (Apr. 21, 1994), <i>cert. denied</i> , 513 U.S. 917 (1994).....	13
6	<i>Adams v. Pacific Bell Directory</i> , 111 Cal. App. 4th 93 (2003).....	13
7	<i>Air Prod. & Chem., Inc. v. Reichhold Chem., Inc.</i> , 755 F.2d 1559 (Fed. Cir. 1985).....	7
8	<i>Board of Regents v. Nippon Telephone and Telegraph Corp.</i> , 414 F.3d 1358 (Fed. Cir. 2005)	7
9	<i>Christianson v. Colt Industries Operating Corp.</i> , 486 U.S. 800 (1988)	6
10	<i>Ethicon, Inc. v. U.S. Surgical Corp.</i> , 135 F.3d 1456 (Fed. Cir. 1998).....	7, 8
11	<i>Gemstar-TV Guide Intern., Inc. v. Int'l Trade Comm'n</i> , 383 F.3d 1352 (Fed. Cir. 2004).....	8, 11
12	<i>Gerawan Farming, Inc. v. Lyons</i> , 24 Cal. 4th 468 (2000)	6
13	<i>Gravitt v. Southwestern Bell Tel. Co.</i> , 430 U.S. 723 (1977)	12
14	<i>Holiday Matinee, Inc. v. Rambus, Inc.</i> , 118 Cal. App. 4th 1413 (2004).....	6, 8, 11
15	<i>Hunter Douglas, Inc. v. Harmonic Design, Inc.</i> , 153 F.3d 1318 (Fed. Cir. 1998)	8
16	<i>Hybritech Inc. v. Monoclonal Antibodies, Inc.</i> , 802 F.2d 1367 (Fed. Cir. 1986).....	7
17	<i>Israel Bio-Engineering Project v. Amgen Inc.</i> , 475 F.3d 1256 (Fed. Cir. 2007)	7, 8, 12
18	<i>Jones v. Hardy</i> , 727 F.2d 1524 (Fed. Cir. 1984).....	7
19	<i>MCV, Inc. v. King-Seeley Thermos Co.</i> , 870 F.2d 1568 (Fed. Cir. 1989).....	9, 11
20	<i>Machinists Automotive Trades Dist v. Peterbilt Motors Co.</i> , 220 Cal. App. 3d 1402	
21	(1990)	13
22	<i>Midwest Indus., Inc. v. Karavan Trailers, Inc.</i> , 175 F.3d 1356 (Fed. Cir. 1999).....	8
23	<i>Pang v. Beverly Hospital, Inc.</i> , 79 Cal. App. 4th 986 (2000)	6
24	<i>People v. Dixon</i> , 153 Cal. App. 4th 985 (2007)	13
25	<i>Provience v. Valley Clerks Trust Fund</i> , 163 Cal. App. 3d 249 (1984)	13
26	<i>Shum v. Intel Corp.</i> , 499 F.3d 1272 (Fed. Cir. 2007).....	7
27	<i>Trovan, Ltd. v. Sokymat SA, Irori</i> , 299 F.3d 1292 (Fed. Cir. 2002).....	8
28	<i>Union Oil Co. of Cal. v. Atlantic Richfield Co.</i> , 208 F.3d 989 (Fed. Cir. 2000).....	12

1	<i>United Investors Life Ins. Co. v. Waddell & Reed Inc.</i> , 360 F.3d 960 (9th Cir. 2004)	12
2	<i>Wise v. Pacific Gas and Elec. Co.</i> , 132 Cal. App. 4th 725 (2005).....	6

STATUTES

4	28 U.S.C. § 1338(a).....	6
5	28 U.S.C. § 1447(d)	12
6	35 U.S.C. § 112	7
7	35 U.S.C. § 116	7, 8, 12
8	Cal. Code Civ. P. § 438(c)(1)(B)(i).....	1, 6

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 **NOTICE OF MOTION & MOTION FOR JUDGMENT ON THE PLEADINGS**

2 TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

3 PLEASE TAKE NOTICE THAT on March 11, 2008 at 9:00 a.m., or as soon thereafter as
4 counsel can be heard, in Department 10 of this Court at Downtown Superior Court, 191 N. First
5 Street, San Jose, California 95113, before the Honorable Neal Cabrinha, Defendants SanDisk
6 Corporation and Dr. Eliyahou Harari will and hereby do move this Court for an order granting
7 judgment on the pleadings based on lack of subject matter jurisdiction with respect to the
8 question of ownership of jointly invented patents at issue in this action. This motion is brought
9 pursuant to California Code of Civil Procedure Section 438(c)(1)(B)(i) on the grounds that
10 Plaintiff's causes of action require the resolution of a substantial question of federal patent law
11 and therefore exclusive jurisdiction is vested in federal court over this inquiry.

12 Defendants' Motion is based on this Notice of Motion and Motion for Judgment on the
13 Pleadings, Defendants' Memorandum of Points and Authorities in Support thereof, the
14 accompanying Declaration of Anthony J Weibell and the exhibits attached thereto, the
15 accompanying Request for Judicial Notice, the pleadings and records on file herein, and such
16 further oral and documentary evidence as may be presented at the hearing on this matter.

17
18
19
20
21
22
23
24
25
26
27
28

MEMORANDUM OF POINTS & AUTHORITIES

I. INTRODUCTION

This motion seeks judgment on the pleadings that the Court does not have jurisdiction over Plaintiff STMicroelectronics, Inc.'s ("ST") causes of action that seek to resolve ownership questions regarding patents that Defendant Dr. Eliyahou Harari ("Dr. Harari") co-invented with other inventors. That ownership inquiry requires the resolution of a substantial question of federal patent law over which federal courts have *exclusive* jurisdiction.

Dr. Harari founded a company named WaferScale Integration ("WSI") in 1983. On February 28, 1988, he resigned his position as an employee and officer of WSI at the direction of the company. After his employment ended, Dr. Harari founded a new company called SanDisk Corporation ("SanDisk"), where he works to this day. Until March 1989, Dr. Harari remained a consultant to WSI while he worked at SanDisk with other engineers. Dr. Harari's work at SanDisk was open, notorious and known by WSI. In this lawsuit, brought nearly two decades after the fact, ST (as WSI's alleged successor-in-interest) claims that inventions created by Dr. Harari during his post-employment consultancy with WSI should have been assigned to that company and not to his employer, SanDisk. Defendants vigorously dispute that proposition. The relevant assignment agreement provides that Dr. Harari's invention assignment obligations terminated with his employment.

This motion, however, addresses a more fundamental question: do California courts have jurisdiction to resolve ownership disputes with respect to patents that list multiple inventors where only one of the inventors is alleged to have owed assignment obligations to the plaintiff? Given the force of federal patent law, the answer to that question is "no." Nearly half of the patents to which ST seeks an ownership interest list Dr. Harari as a co-inventor (*i.e.*, those patents list other co-inventors along with Dr. Harari). These co-invented patents contain multiple claims that each represents a separate invention, and a person listed on a patent as a co-inventor need not have contributed to every separate invention claimed within a patent application. Therefore, it would be impossible for this Court to determine which inventions were made by Dr. Harari alone, which inventions were made by a co-inventor alone, and which were

1 made together by Dr. Harari and his co-inventors, without conducting an inventorship analysis of
2 the patents in the first instance. That analysis of the patents indisputably raises a substantial
3 question of federal patent law, which brings ST's causes of action within the exclusive
4 jurisdiction of the federal courts. Accordingly, this Court does not have jurisdiction to decide the
5 ownerships questions raised by the Complaint with respect to the co-invented patents.

6 **II. FACTUAL BACKGROUND**

7 **A. The Parties and the Relevant Agreements**

8 SanDisk, headquartered in Santa Clara County, markets and sells "flash memory"
9 products. Compl. ¶¶ 3, 42. Flash memory is a type of semiconductor memory used in a wide
10 variety of electronic systems and digital devices that can be reprogrammed and erased but does
11 not require power to retain the data that it stores. Compl. ¶ 16. SanDisk was founded by
12 Dr. Harari in 1988. Compl. ¶ 40.

13 ST is a Delaware corporation headquartered in Carrollton, Texas. Compl. ¶ 1. It is a
14 wholly owned subsidiary of STMicroelectronics N.V., a multinational firm with headquarters in
15 Geneva, Switzerland. *See* Declaration of Russell Johnson, Ex. 4 at ¶¶ 2-3 (filed Aug. 23, 2006).
16 On July 27, 2000, ST acquired a company called WaferScale Integration ("WSI"), Dr. Harari's
17 previous employer. Compl. ¶ 7.

18 Dr. Harari founded WSI in 1983. Compl. ¶ 6. On February 22, 1984, Dr. Harari signed
19 an "Employee Agreement Regarding Confidentiality & Inventions" ("1984 Inventions
20 Agreement") with WSI. Compl., Ex. A. Pursuant to that agreement, Dr. Harari agreed to
21 disclose to WSI any inventions "made or conceived by [him], either alone or with others, during
22 the term of [his] employment." *Id.* at ¶ 3. He further agreed to assign to WSI his rights to
23 inventions that "relate in any way to or are useful in [WSI's] business as presently conducted or
24 as conducted at any future time during [his] employment." *Id.*

25 On February 29, 1988, Dr. Harari and WSI entered into an Agreement ("1988
26 Agreement") under which Dr. Harari agreed, at the direction of WSI, to resign his position as an
27 employee of the company. Compl., Ex. C at ¶ 1.1. WSI acknowledged that Dr. Harari was not
28 terminated for cause. *Id.* at ¶ 1.2. Dr. Harari agreed to be available as requested by WSI to

1 provide consulting services for 32 hours per month for a period of 11 months following the
2 termination of his employment. *Id.* at ¶ 2.4. Dr. Harari also acknowledged and agreed “that he
3 shall continue to be bound by and comply with the terms” of the 1984 Inventions Agreement. *Id.*
4 at ¶ 3.3. By its plain terms, the 1988 Agreement did not contain any new assignment obligations
5 and did not alter the scope of his previous agreement to assign.

6 **B. ST’s Claims in This Case**

7 In late 2004, SanDisk filed patent infringement lawsuits against ST in federal district
8 court and in the United States International Trade Commission for infringing three SanDisk
9 patents. Compl. ¶¶ 46-48. In response, ST filed the present action. ST alleges that nearly two
10 decades ago Dr. Harari failed to assign to WSI his rights to inventions disclosed in six patent
11 applications (“Harari Applications”) that were filed with the PTO between April 26, 1988 and
12 April 13, 1989 (months after his employment with WSI ended). Compl. ¶¶ 24-30. Based on this
13 allegation, ST’s Complaint alleges the following claims against Dr. Harari: (1) breach of
14 fiduciary duty; (2) breach of the 1984 Inventions Agreement and the 1988 Agreement; (3) fraud;
15 (4) conversion; and (5) unjust enrichment. Compl. ¶¶ 55-96. Against SanDisk, ST asserts
16 claims for: (1) conversion; (2) inducing breach of contract; (3) unjust enrichment; and (4) unfair
17 competition. *Id.* at ¶¶ 88-102.

18 In its Complaint, ST asks that “all inventions and the patents relating thereto which were
19 *conceived of or resulted from inventive activity on the part of Harari*, that took place [during
20 Harari’s employment with WSI], be assigned to plaintiff.” Compl. at 18, Prayer for Relief
21 (emphasis added). ST also asks that the Court grant ownership of all patents which issued or
22 claim priority from the applications filed by Harari during and after his tenure at WSI, “which
23 should have properly been assigned to WSI,” to plaintiff “as the sole owner if Harari is the sole
24 inventor or as a co-owner if Harari is a co-inventor.” *Id.* ST does not dispute that persons other
25 than Dr. Harari are named as co-inventors on twenty-four of the patents which have issued from
26 the Harari Applications. *See* Weibell Decl., Ex. 1 at 8 (“ST does not dispute that persons other
27 than Harari are listed as inventors on several of the patents”); *see also id.*, ¶¶ 6-29 and Exs. 4
28 through 27 (copies of the 24 co-invented patents). For those jointly-invented patent applications,

1 ST does not seek assignment of the entire patent applications and the resulting patents, but
2 rather, ST seeks assignment of only Dr. Harari's interest in those patent applications. *See*
3 Weibell Decl., Ex. 3 at 21:6-9 (Counsel for ST: "SanDisk keeps the co-inventors' interest. We're
4 not interested in getting it. We're only interested in getting . . . Dr. Harari's interest.").

5 **C. Procedural History**

6 ST filed this action in Alameda County Superior Court on October 14, 2005. SanDisk
7 and Dr. Harari then removed the case to federal court, and ST filed a motion to remand. On
8 March 20, 2006, the federal district judge denied ST's motion to remand the case to Superior
9 Court. Weibell Decl., Ex. 1. The federal court ruled that ST's Complaint raised a substantial
10 question of federal patent law over which that court had exclusive jurisdiction:

11 ST cannot at this time establish what patented inventions or parts thereof Harari
12 "conceived" during his employment with WSI, nor can ST establish what
13 inventions "relate to" WSI's business, unless Harari's inventive contribution to
14 each patent first is identified. The question of whether the interest in a particular
15 patent should have been assigned to WSI arises only after Harari's inventive
16 contribution to each patent has been identified. Accordingly, because
17 determination of inventorship is critical to determination of ownership,
18 Defendants have shown that ST's right to relief "necessarily depends on
19 resolution of a substantial question of federal patent law, in that patent law is a
20 necessary element of one of the well-pleaded claims."

21 *Id.* at 10 (citation and quotation omitted).

22 On July 18, 2006, the district court reconsidered its previous ruling, reached the opposite
23 conclusion, and granted ST's motion to remand the action to Alameda County Superior Court.
24 Weibell Decl., Ex. 2 at 6.

25 Defendants then filed a motion to transfer venue to Santa Clara County Superior Court,
26 and SanDisk filed an anti-SLAPP motion to strike ST's unfair competition cause of action. The
27 Alameda County Superior Court denied both motions. Defendants filed a writ with respect to the
28 venue transfer order and SanDisk filed an appeal regarding the anti-SLAPP motion. The Court
of Appeal directed the Alameda County Superior Court to transfer this action to Santa Clara
County Superior Court and affirmed the denial of SanDisk's anti-SLAPP motion.

1 III. ARGUMENT

2 ST's claim to any ownership interest in co-invented patent applications depends *entirely*
 3 upon Dr. Harari's inventive contribution to those applications being assignable under a contract
 4 between Dr. Harari and WSI. If Dr. Harari's contribution to a co-invented patent application was
 5 not assignable (*e.g.*, was not related to WSI's business or conceived during his employment with
 6 WSI), ST could not possibly claim an ownership interest in that application. The inventive
 7 contribution of each inventor must therefore be identified before an ownership analysis can take
 8 place. That inquiry raises a substantial question of federal patent law: inventorship.
 9 Accordingly, federal courts have *exclusive* jurisdiction to resolve the parties' dispute.

10 A. Legal Standard

11 "A motion for judgment on the pleadings is akin to a general demurrer; it tests the
 12 sufficiency of the complaint to state a cause of action." *Wise v. Pacific Gas and Elec. Co.*, 132
 13 Cal. App. 4th 725, 738 (2005) (citing *Pang v. Beverly Hospital, Inc.*, 79 Cal. App. 4th 986, 989
 14 (2000)). In deciding a motion for judgment on the pleadings, a court "assume[s] the truth of all
 15 factual allegations in the complaint, along with matters subject to judicial notice." *Id.* (citing
 16 *Gerawan Farming, Inc. v. Lyons*, 24 Cal. 4th 468, 515-516 (2000)). A motion for judgment on
 17 the pleadings is proper where "[t]he court has no jurisdiction of the subject of the cause of action
 18 alleged in the complaint." Cal. Code Civ. P. § 438(c)(1)(B)(i).

19 B. This Court Does Not Have Subject Matter Jurisdiction Over ST's Claims 20 that Seek Assignment to ST of Rights in and to Co-Invented Patents

21 1. The Federal Courts Have Exclusive Jurisdiction to Resolve 22 Substantial Questions of Federal Patent Law

23 State courts lack subject matter jurisdiction over state law claims where the "right to
 24 relief necessarily depends on resolution of a substantial question of federal patent law, in that
 25 patent law is a necessary element of one of the well-pleaded claims." *Holiday Matinee, Inc. v.*
 26 *Rambus, Inc.*, 118 Cal. App. 4th 1413, 1427-28 (2004) (quoting *Christianson v. Colt Industries*
 27 *Operating Corp.*, 486 U.S. 800, 809 (1988)). *See also* 28 U.S.C. § 1338(a) (federal district
 28 courts "shall have original jurisdiction of any civil action arising under any Act of Congress

relating to patents, . . . [s]uch jurisdiction shall be exclusive of the courts of the states”). To determine whether a complaint presents substantial issues of patent law sufficient to deprive the state court of subject matter jurisdiction, “a court must review and analyze the plaintiff’s pleadings with *special attention directed to the relief requested* by the plaintiff.” *Board of Regents v. Nippon Telephone and Telegraph Corp.*, 414 F.3d 1358, 1362 (Fed. Cir. 2005) (emphasis added) (citing *Air Prod. & Chem., Inc. v. Reichhold Chem., Inc.*, 755 F.2d 1559, 1562 (Fed. Cir. 1985)).

2. State Courts Do Not Have Jurisdiction to Determine the Nature of a Co-Inventor’s Contribution to a Patent

Determining a co-inventor’s contribution to the inventions claimed in a patent presents a substantial question of federal patent law within the exclusive jurisdiction of the federal courts.

In a patent application, an inventor (or co-inventors) must set forth “one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.” 35 U.S.C. § 112. Each individual claim set forth in a patent application represents a separate and distinct invention from any other claim within the same patent. *Israel Bio-Engineering Project v. Amgen Inc.*, 475 F.3d 1256, 1263 (Fed. Cir. 2007) (“*IBEP*”) (“each claim must be considered as defining a separate invention”) (quoting *Jones v. Hardy*, 727 F.2d 1524, 1528 (Fed. Cir. 1984)). Thus a patent that contains more than one claim necessarily contains more than one invention.

Each invention described in a claim of a patent application “may be the work of two or more joint inventors.” *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998) (citing 35 U.S.C. § 116). To be listed as one of the inventors on a patent application, a co-inventor must have contributed to the conception¹ of at least one of the inventions claimed in a patent application, but need not have contributed to the conception of every invention claimed in

¹ Under federal patent law, “[c]onception is the formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice.” *Shum v. Intel Corp.*, 499 F.3d 1272, 1277 (Fed. Cir. 2007) (quoting *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1376 (Fed. Cir. 1986)).

1 the patent. 35 U.S.C. § 116 (“Inventors may apply for a patent jointly even though . . . each did
2 not make a contribution to the subject matter of every claim of the patent”); *IBEP*, 475 F.3d at
3 1263-64 (“a co-inventor of even a single claim can then assert a right of joint ownership over an
4 entire patent with multiple claims”); *Trovan, Ltd. v. Sokymat SA, Irori*, 299 F.3d 1292, 1302
5 (Fed. Cir. 2002). Accordingly, while all co-inventors listed on a patent application are
6 considered joint owners of the entire patent, a person’s status as a listed co-inventor does not
7 mean that the inventor contributed to each and every invention claimed therein. *See IBEP*, 475
8 F.3d at 1263 (“when . . . multiple inventors are listed on the face of the patent, each co-owner
9 ‘presumptively owns a pro rata undivided interest in the entire patent, *no matter what their*
10 *respective contributions*’”) (emphasis added) (quoting *Ethicon*, 135 F.3d at 1460).

11 Therefore, to determine which claimed inventions within a patent were conceived by a
12 particular inventor, the court must analyze that co-inventor’s contributions “on a claim-by-claim
13 basis.” *Gemstar-TV Guide Intern., Inc. v. Int’l Trade Comm’n*, 383 F.3d 1352, 1381 (Fed. Cir.
14 2004) (“Because co-inventors need not contribute to the subject matter of every claim of the
15 patent, inventorship is determined on a claim-by-claim basis.”); *Trovan*, 299 F.3d at 1302
16 (same). The inventorship analysis “begins as a first step with a construction of each asserted
17 claim [in the patent application] to determine the subject matter encompassed thereby.” *Id.*
18 “The second step is then to compare the alleged contributions of each asserted co-inventor with
19 the subject matter of the properly construed claim” *Id.*

20 Where a complaint requests relief that requires the court to perform the inventorship
21 analysis described above, the complaint lies within the exclusive jurisdiction of the federal
22 courts. *See Holiday Matinee*, 118 Cal. App. 4th at 1424 (recognizing the law of the Federal
23 Circuit that “inventorship issues” fall under federal jurisdiction) (citing *Hunter Douglas, Inc. v.*
24 *Harmonic Design, Inc.*, 153 F.3d 1318, 1330-31 (Fed. Cir. 1998), *overruled in part on other*
25 *grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999)).
26 Consequently, federal courts have exclusive jurisdiction where the relief requested requires a
27 plaintiff to establish that it is the rightful co-owner of a patent and where “co-ownership arises
28

1 from and depends solely on the patent law issue of inventorship.” *MCV, Inc. v. King-Seeley*
 2 *Thermos Co.*, 870 F.2d 1568, 1570-71 (Fed. Cir. 1989).

3 **3. ST’s Alleged Right to Relief Requires a Determination of Dr. Harari’s**
 4 **Contribution to Each Invention Claimed in the Co-Invented Patents**

5 ST’s Complaint describes a single, three-part theory in support of its ownership claims
 6 over the co-invented patent applications:

- 7 (1) ST is allegedly the current successor to all of the property interests
 8 of WSI, Compl. ¶¶ 5-8;
- 9 (2) Dr. Harari allegedly had an obligation under his contracts with
 10 WSI to assign to WSI any inventions “made or conceived by
 11 [him], either alone or with others, during the term of [his]
 12 employment” that “relate in any way to or are useful in [WSI’s]
 13 business as presently conducted or as conducted at any future time
 14 during [his] employment,” *id.* ¶¶ 11-12; and
- 15 (3) the Harari Applications allegedly contained inventions that were
 16 made or conceived by Dr. Harari during the term of his
 17 employment with WSI that related to WSI’s business but that were
 18 not assigned to WSI, *id.* ¶¶ 19-30.

19 Under the plain terms of that ownership theory, the Court must examine which inventions
 20 were made by Dr. Harari and when they were made, and then decide whether those inventions
 21 fall within the scope of his assignment agreement with WSI. Conducting this task falls within
 22 the exclusive jurisdiction of the federal courts because it requires the Court to identify Dr.
 23 Harari’s inventive contribution to the relevant patent applications as contrasted with his co-
 24 inventors, who owed no assignment obligations to WSI whatsoever. That inventorship analysis
 25 raises a substantial question of federal law which must be resolved in federal court.

26 Under ST’s theory, Dr. Harari’s interest in a particular patent application should have
 27 been assigned to WSI *only if* Dr. Harari conceived of at least one invention claimed within that
 28 application during his employment with WSI, *and only if* that particular invention related to

WSI's business. If, on the other hand, Dr. Harari only contributed to inventions that were either (a) not made during the term of his employment with WSI or (b) not related to WSI's business, he would not have owed assignment obligations to WSI. Independent inventions described in a separate claim of a patent application to which Dr. Harari made no contribution are not inventions "made or conceived by [Dr. Harari], either alone or with others" under the invention assignment agreement between Dr. Harari and WSI. *See* Compl., Ex. A, ¶ 3.

The following hypothetical and corresponding chart illustrate this point: Assume Dr. Harari is listed as a co-inventor on a patent application with Inventor X ("X") and Inventor Y ("Y"). The patent application contains 3 claims, each describing a separate invention. The invention in Claim 1 was made by Harari, X, and Y during the term of Harari's employment with WSI but does not relate to WSI's business. The invention in Claim 2 was made by Harari and Y after Harari's employment with WSI ended and does relate to WSI's business. The invention in Claim 3 was made by X and Y at the same time Harari was employed by WSI and was also related to WSI's business. Harari made no contribution to the invention in Claim 3 and had no connection to its conception. Under this hypothetical, and according to the theory set forth in ST's complaint, Harari had no duty to assign to WSI his interest in any of the inventions described in the hypothetical patent application, despite the fact that he is listed as a co-inventor on the face of the application and despite the fact that the invention in Claim 3 was invented during his employment with WSI and related to WSI's business:

HYPOTHETICAL PATENT APPLICATION Co-Inventors Named on Face of Application: Harari, X, and Y				
<i>Claim / Invention</i>	<i>Actual Inventors</i>	<i>Invented while Harari employed with WSI?</i>	<i>Related to WSI's Business?</i>	<i>Did Harari have duty to assign to WSI?</i>
1	Harari, X, Y	Yes	No	No
2	Harari, Y	No	Yes	No
3	X, Y	Yes	Yes	No

1 Because the patent applications only name the co-inventors on the face of the application
 2 and do not identify which co-inventors contributed to which claims within the applications, the
 3 Court must engage in an inventorship analysis to identify the particular claims within the patent
 4 applications that contain inventions “made or conceived by [Dr. Harari], either alone or with
 5 others, during the term of [his] employment.” *Gemstar-TV Guide Intern, Inc. v. Int’l Trade*
 6 *Comm’n*, 383 F.3d 1352, 1381 (Fed. Cir. 2004) (“Because co-inventors need not contribute to
 7 the subject matter of every claim of the patent, inventorship is determined on a claim-by-claim
 8 basis.”). This hypothetical is thus dispositive of the federal question inquiry because it reveals a
 9 circumstance in which a proper ownership determination could not be made without first
 10 conducting a threshold inventorship analysis, and federal courts have exclusive jurisdiction over
 11 causes of action that require an inventorship analysis, *Holiday Matinee*, 118 Cal. App. 4th at
 12 1424; *MCV*, 870 F.2d at 1570-71.

13 Therefore, this Court does not have jurisdiction over ST’s causes of action that seek to
 14 resolve questions of ownership regarding the co-invented patent applications.

15 4. This Court Conducts an Independent Evaluation of the Jurisdiction 16 Question

17 In opposition, ST will likely argue that this Court should give deference to the federal
 18 district court’s Order remanding this action to Superior Court. That argument is not well taken
 19 for two reasons. First, the federal district court made an error of law in its reconsideration Order.
 20 Second, the non-appealable Order remanding the case to this Court is not binding and does not
 21 constitute law of the case. Instead, this Court conducts an independent evaluation of the
 22 jurisdictional issue.

23 The federal district court, in reconsidering its previous order denying ST’s motion to
 24 remand, ruled as follows:

25 As a matter of law, then, the fact that Harari is named as a sole inventor or co-
 26 inventor on the patents at issue *establishes that he contributed to the conception of*
 27 *the inventions described therein* and that he thereafter acquired a pro rata undivided
 28 interest in each patent for which he is named an inventor. Because he was required
 to disclose to WSI all inventions that *he conceived alone or with others* during his
 term of employment, and to assign his entire right in such inventions if they related

1 to WSI's business, there is no need to inquire into Harari's precise inventive
2 contribution.

3 Weibell Decl., Ex. 2 at 5 (emphasis added). The district court was thus under the mistaken belief
4 that because Dr. Harari was listed as a co-inventor, he contributed to all of the inventions
5 described in the patent, thus obviating the need to determine which contributions Dr. Harari
6 made to the co-invented patent applications.

7 The district court's conclusion that Dr. Harari contributed to and conceived of *each* of the
8 inventions described in the patents merely because he was listed as a co-inventor is clearly
9 wrong under black letter federal patent law. 35 U.S.C. § 116 ("Inventors may apply for a patent
10 jointly even though . . . each did not make a contribution to the subject matter of every claim of
11 the patent").² Instead, the district court should have held that Dr. Harari's contribution was
12 unknowable simply by looking at the patents. Had it considered that unassailable proposition,
13 the district court would have reached the proper conclusion: Dr. Harari's inventive contribution
14 to the patents must be isolated and compared with the invention assignment agreement before an
15 ownership analysis can take place, and that inventorship analysis raises a substantial question of
16 federal law.

17 Moreover, this Court is not obligated to follow the district court's erroneous conclusion
18 regarding jurisdiction. Indeed, Defendants were not accorded an opportunity to appeal the order
19 to the federal appellate court for review. *See* 28 U.S.C. § 1447(d) ("An order remanding a case
20 to the State court from which it was removed is not reviewable on appeal or otherwise . . .").³
21 Instead, a defendant's *sole* remedy to challenge such an order is to file a motion in state court

22 _____
23 ² *IBEP*, 475 F.3d at 1263-64 ("a co-inventor of even a single claim can then assert a right of
24 joint ownership over an entire patent with multiple claims"); *IBEP*, 475 F.3d at 1263 ("each
25 claim must be considered as defining a separate invention"); *Union Oil Co. of Cal. v. Atlantic
Richfield Co.*, 208 F.3d 989, 1003 (Fed. Cir. 2000) ("It is well-established that each claim in a
patent constitutes a separate invention.") (Lourie, J., in dissent).

26 ³ *Gravitt v. Southwestern Bell Tel. Co.*, 430 U.S. 723, 723-24 (1977) (per curiam) ("The
27 District Court's remand order was plainly within the bounds of [28 U.S.C. § 1447(c)] and hence
28 was unreviewable by the Court of Appeals, by mandamus or otherwise."); *United Investors Life
Ins. Co. v. Waddell & Reed Inc.*, 360 F.3d 960, 967 (9th Cir. 2004) (section 1447(d) precludes
review of a district court's jurisdictional decision even if it was clearly wrong).

1 seeking a *de novo* examination of the subject matter jurisdiction question. *See AT&T Commc'ns,*
2 *Inc. v. Superior Court*, 21 Cal. App. 4th 1673, 1680-81 (1994) (after remand from federal district
3 court, state court reached opposite conclusion from district court and held that state courts lacked
4 subject matter jurisdiction over plaintiff's state law claims on federal preemption grounds),
5 *review denied* (Apr. 21, 1994), *cert. denied*, 513 U.S. 917 (1994); *Provience v. Valley Clerks*
6 *Trust Fund*, 163 Cal. App. 3d 249, 256-262 (1984) (same); *see also Machinists Automotive*
7 *Trades Dist v. Peterbilt Motors Co.*, 220 Cal. App. 3d 1402 (1990) (finding federal preemption
8 of state law claims after remand from federal court).

9 In short, the remand order is not binding in state court and is not law of the case. *See*
10 *AT&T*, 21 Cal. App. 4th at 1680-81 (after remand, California courts were not bound to follow
11 federal district court's ruling in deciding question of federal subject matter jurisdiction);
12 *Provience*, 163 Cal. App. 3d at 256-262 (same); *see also People v. Dixon*, 153 Cal. App. 4th 985,
13 1000 (2007) (California courts are not bound by decisions of federal district or appellate courts);
14 *Adams v. Pacific Bell Directory*, 111 Cal. App. 4th 93, 97 (2003) (state courts are not required to
15 adhere to decisions of federal courts even on federal questions). Therefore, it should not be
16 followed.

17 IV. CONCLUSION

18 For the foregoing reasons, Defendants respectfully request that their Motion for Judgment
19 on the Pleadings be GRANTED.

20
21 Dated: February 7, 2008

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

22
23
24 By: 

Michael A. Ladra

25
26 Attorneys for Defendants
ELIYAHOU HARARI and
27 SANDISK CORPORATION
28

Exhibit E

Russell L. Johnson (SBN 53833), <rljohnson@sidley.com>
Edward V. Anderson (SBN 83148), <evanderson@sidley.com>
Teague I. Donahey (SBN 197531), <tdonahey@sidley.com>
Kevin P. Burke (SBN 241972), <kburke@sidley.com>
Patrick M. Lonergan (SBN 245807), <plonergan@sidley.com>
SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104
Telephone: (415) 772-1200
Facsimile: (415) 772-7400

Attorneys for Plaintiff
STMicroelectronics, Inc.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA

STMICROELECTRONICS, INC.,	)	No. 1-07-CV-080123 (filed Oct. 14, 2005)
)	
Plaintiff,	)	STMICROELECTRONICS, INC.'S
	)	OPPOSITION TO DEFENDANTS'
vs.	)	MOTION FOR JUDGMENT ON THE
	)	PLEADINGS
ELIYAHOU HARARI; SANDISK	)	Hr'g Date: Mar. 11, 2008
CORPORATION; and DOES 1-20,	)	Hr'g Time: 9:00 a.m.
	)	Location: Dep't 10
Defendants.	)	Judge: Honorable Neal A. Cabrinha
	)	Trial Date: None

OPPOSITION

STMicroelectronics, Inc. ("ST") hereby opposes Defendants' Motion for Judgment on the Pleadings (Feb. 7, 2008). ST's opposition is based on the points and authorities below as well as ST's Request for Judicial Notice ("Exs. 1-20"), which is being filed today, February 20, 2008.

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	FACTS	1
III.	ARGUMENT	3
A.	ST's complaint concerns ownership, not inventorship	4
B.	Under <i>Christianson</i> , ST's right to relief does not <i>necessarily depend</i> on resolution of a substantial question of federal patent law (i.e., inventorship), and thus there is <i>not</i> exclusive federal jurisdiction	6
C.	Judge Fogel has already concluded there is <i>not</i> exclusive federal jurisdiction over ST's complaint, and thus this Court should do the same	12
IV.	CONCLUSION	13

TABLE OF AUTHORITIES

Cases

<i>Adams v. Pac. Bell Directory</i> , 111 Cal. App. 4th 93 (2003)	13
<i>Air Prods. & Chems., Inc. v. Reichhold Chems., Inc.</i> , 755 F.2d 1559 (Fed. Cir. 1985).....	12
<i>AT&T Co. v. Integrated Network Corp.</i> , 972 F.2d 1321 (Fed. Cir. 1992).....	passim
<i>Beech Aircraft Corp. v. EDO Corp.</i> , 990 F.2d 1237 (Fed. Cir. 1993).....	4
<i>Board of Regents v. NTT Corp.</i> , 414 F.3d 1358 (Fed. Cir. 2005).....	7, 10
<i>Christianson v. Colt Indus. Operating Corp.</i> , 486 U.S. 800 (1988).....	1, 4, 6, 7
<i>E.I. DuPont de Nemours & Co. v. Okuley</i> , 344 F.3d 578 (6th Cir. 2003)	7, 11
<i>Ethicon, Inc. v. U.S. Surgical Corp.</i> , 135 F.3d 1456 (Fed. Cir. 1998).....	5, 6, 11
<i>Franchise Tax Bd. v. Constr. Laborers Vacation Trust</i> , 463 U.S. 1 (1983).....	7
<i>Gemstar-TV Guide Int'l, Inc. v. ITC</i> , 383 F.3d 1352 (Fed. Cir. 2004).....	4
<i>Gerawan Farming, Inc. v. Lyons</i> , 24 Cal. 4th 468 (2000)	1
<i>Holiday Matinee, Inc. v. Rambus, Inc.</i> , 118 Cal. App. 4th 1413 (2004)	12
<i>Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.</i> , 535 U.S. 826 (2002).....	7
<i>Hunter Douglas, Inc. v. Harmonic Design, Inc.</i> , 153 F.3d 1318 (Fed. Cir. 1998).....	6
<i>Israel Bio-Eng'g Project v. Amgen Inc.</i> , 475 F.3d 1256 (Fed. Cir. 2007), <i>cert. denied</i> , 127 S. Ct. 2994 (2007)	5
<i>Jim Arnold Corp. v. Hydrotech Sys., Inc.</i> , 109 F.3d 1567 (Fed. Cir. 1997).....	4
<i>MCV, Inc. v. King-Seeley Thermos Co.</i> , 870 F.2d 1568 (Fed. Cir. 1989).....	12

1	<i>Midwest Indus., Inc. v. Karavan Trailers, Inc.</i> ,	
2	175 F.3d 1356 (Fed. Cir. 1999) (en banc in relevant part)	6, 7
3	<i>Prize Frize, Inc. v. Matrix (U.S.) Inc.</i> ,	
4	167 F.3d 1261 (9th Cir. 1999)	4
5	<i>Uroplasty, Inc., v. Advanced Uroscience, Inc.</i> ,	
6	239 F.3d 1277 (Fed. Cir. 2001).....	7

Statutes

7	28 U.S.C. § 1338.....	1
8	35 U.S.C. § 112, ¶ 2	5
9	35 U.S.C. § 116.....	5
10	35 U.S.C. § 256.....	12
11	35 U.S.C. § 282.....	4

Other Authorities

12		
13		
14	Weil & Brown, <i>Ca. Prac. Guide: Civ. Pro. Before Trial</i> ¶ 3:621 (The Rutter Group 2007)	7
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		

1 **I. INTRODUCTION**

2 ST's complaint concerns *ownership*, not inventorship. The motion filed by Defendants tries
3 to confuse the issues by framing everything as a question of *inventorship*. But ST is not disputing
4 that Harari was properly named as an inventor on the patents at issue; ST is disputing SanDisk's
5 *ownership* of those patents. The law is clear that ownership (unlike inventorship) is a question of
6 state law, and thus this Court has subject matter jurisdiction over ST's complaint.

7 The fallacy of Defendants' motion is that it depends on *hypothetical* fact patterns in which
8 the question of ownership might (or might not) turn on the question of inventorship. But that is not
9 the test for exclusive federal jurisdiction under 28 U.S.C. § 1338. Federal courts have limited
10 jurisdiction — and give respect to state court jurisdiction — and thus the test for exclusive federal
11 jurisdiction is quite stringent: Defendants must show that ST's "well-pleaded complaint establishes
12 . . . that [ST's] right to relief *necessarily depends* on resolution of a substantial question of federal
13 patent law [i.e., inventorship]." *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809
14 (1988) (emphasis added). There is a big difference between a complaint that might, hypothetically,
15 turn on the question of inventorship, and a complaint that *necessarily depends* on the question of
16 inventorship. Again, ST is not disputing that Harari was properly named as an inventor, so it cannot
17 be said that ST's right to relief *necessarily depends* on resolution of an inventorship question.

18 These *exact same* issues were briefed and argued extensively to Judge Fogel in the U.S.
19 District Court in San Jose. He rejected all of Defendants' arguments and remanded this case back to
20 state court. Defendants' motion to this Court provides no reason to question the correctness of Judge
21 Fogel's opinion nor points to any changes in the law; instead Defendants' motion simply repeats all
22 the same arguments that Judge Fogel has already considered and rejected. This Court should follow
23 Judge Fogel's lead and once again reject Defendants' arguments.

24 **II. FACTS**

25 On a motion for judgment on the pleadings, this Court must "accept[] as true the factual
26 allegations that [ST] makes . . . [and] give[] them a liberal construction." *Gerawan Farming, Inc.*
27 *v. Lyons*, 24 Cal. 4th 468, 515–16 (2000) (vacating judgment on the pleadings). Thus this Court
28 must accept as true the following allegations made in ST's complaint:

1 Harari co-founded WSI in 1983. *See* Ex. 1, ¶ 9. He served as Chief Executive Officer from
 2 approximately 1983 to 1986; Chief Technology Officer from approximately 1986 to 1988; Director
 3 from approximately 1983 to 1989; and Chairman of the Board at various times between 1983 and
 4 1988. *See id.*

5 In 1984, Harari signed an Inventions Agreement whereby he agreed to the following:

6 3. I will promptly disclose and describe to [WSI] (i) all inventions,
 7 improvements, discoveries and technical developments (“Inventions”),
 8 ***whether or not patentable***, made or conceived by me, either alone or
 9 with others, during the term of my employment, provided that [WSI]
 10 shall receive such information in confidence. ***I hereby assign and***
 11 ***agree to assign to [WSI] my entire right, title and interest in and to***
 12 ***such Inventions which relate in any way to or are useful in [WSI’s]***
 13 ***business as presently conducted or as conducted at any future time***
 14 ***during my employment***, and agree to cooperate with WSI and its
 15 designee(s) both during and after my employment in the procurement
 16 and maintenance, at [WSI’s] expense and at its discretion, of patents,
 17 copyrights, and/or other protection of [WSI’s] rights in such
 18 inventions. I will keep and maintain adequate and current written
 19 records of all such Inventions, which shall be and remain the property
 20 of the [WSI].

21 Ex. 1, ¶ 12 & Ex. A (emphasis added).

22 In February 1988, two things happened: First, Harari stepped down as Chief Technology
 23 Officer and Chairman of the Board. *See* Ex. 1, ¶ 9. Second, Harari agreed to “continue to be bound
 24 by and comply with” the Inventions Agreement above in exchange for continuing as a director of
 25 WSI and receiving as a consultant his salary and benefits for one year. *See id.* ¶¶ 20–21 & Ex. C,
 26 ¶ 3.3. A principal dispute between the parties is whether Harari was still obligated to disclose and
 27 assign inventions to WSI after February 1988. For purposes of this motion, however, this Court
 28 must accept ST’s allegations that Harari *was* still obligated under the agreement above to disclose
 and assign his inventions to WSI after February 1988.

In fact, Harari did *not* disclose or assign his inventions to WSI after February 1988. Instead,
 he secretly filed the following six patent applications and assigned them to SanDisk, a company
 which he founded in June 1988:

1. Application No. 07/185,699 to Harari alone (April 26, 1988)
2. Application No. 07/204,175 to Harari alone (June 9, 1988)
3. Application No. 07/216,873 to Harari alone (July 8, 1988)

1 4. Application No. 07/323,779 to Harari and others (March 15, 1989)

2 5. Application No. 07/337,566 to Harari and others (April 13, 1989)

3 6. Application No. 07/337,579 to Harari and others (April 13, 1989)

4 See Ex. 1, ¶¶ 24–30, 40, 45. The six patent applications above have resulted in at least 50 issued
5 patents. See *id.*

6 In 2000, ST acquired all the rights and property of WSI. See *id.* ¶ 7. In 2004, SanDisk sued
7 ST for infringing Harari’s patents. See *id.* ¶ 46. Upon investigating the history of these patents, ST
8 discovered that Harari had breached his contractual and fiduciary obligations to WSI. See *id.* ¶¶ 52–
9 53. Accordingly, ST brought this lawsuit to get back its patents. Specifically, ST’s prayer for relief
10 requests the following:

11 D. That ownership of all patents which issued or claim priority
12 from the applications filed by Harari during and after his tenure as an
13 officer and/or director of WSI, which should have properly been
assigned to WSI, be assigned to [ST], *as the sole owner if Harari is
the sole inventor or as a co-owner if Harari is a co-inventor*;

14 E. That all¹ inventions and the patents relating thereto which
15 were conceived of or resulted from the inventive activity on the part of
16 Harari, that took place while Harari was an employee, officer, and/or
director of WSI, be assigned to [ST]

17 Ex. 1, at 18:22–:28 (emphasis added).

18 **III. ARGUMENT**

19 Defendants do not challenge this Court’s jurisdiction to consider whether Harari was
20 obligated to disclose and assign to WSI the first three patent applications above (and resulting
21 patents) in which Harari was named as the *sole* inventor. Thus Defendants’ motion only concerns
22 the last three patent applications (and resulting patents) in which Harari was named as a *co-inventor*.
23 As explained below, and as Judge Fogel properly concluded, it makes no difference for purposes of
24 exclusive federal jurisdiction whether Harari was named as the *sole* inventor or a *co-inventor* on the

25 ¹ Defendants originally argued to Judge Fogel that this prayer for relief (requesting that “all”
26 inventions be assigned to ST) created exclusive federal jurisdiction. See Ex. 3, at 5:1–6:2. Judge
27 Fogel rejected this argument because it “misconstrues ST’s prayer for relief.” Ex. 6, at 10:7.
28 “[F]airly read, the complaint actually seeks assignment only of *Harari’s interest* in each of the
patents.” Ex. 19, at 3:23–4:1. Defendants have not repeated the argument in this Court.

1 disputed applications and resulting patents. In either case, he had an *ownership* interest in the *entire*
 2 patent, and he had an obligation to assign that ownership interest to WSI, not SanDisk. ST's
 3 complaint does not dispute *inventorship* and does not turn on whether Harari was a *sole* inventor or a
 4 *co-inventor*; ST's complaint only disputes *ownership*, which is a question of state law that does **not**
 5 "*necessarily depend[]* on resolution of a substantial question of federal patent law [i.e.,
 6 inventorship]." *Christianson*, 486 U.S. at 809. Accordingly, as Judge Fogel properly concluded,
 7 federal courts do not have exclusive jurisdiction over ST's complaint, and this Court has jurisdiction
 8 over *all* the disputed applications and resulting patents, not just those in which Harari was named as
 9 the *sole* inventor.

10 **A. ST's complaint concerns ownership, not inventorship**

11 "It is elementary that inventorship and ownership are separate issues." *Beech Aircraft Corp.*
 12 *v. EDO Corp.*, 990 F.2d 1237, 1248 (Fed. Cir. 1993). ST does not dispute that Harari was properly
 13 named as an *inventor* on the disputed applications and resulting patents. Indeed, given that "a patent
 14 is presumed valid under 35 U.S.C. § 282, there follows a *presumption* that the named inventors on a
 15 patent are the true and only inventors." *Gemstar-TV Guide Int'l, Inc. v. ITC*, 383 F.3d 1352, 1381
 16 (Fed. Cir. 2004) (emphasis added). ST's complaint does not challenge this presumption.

17 ST's complaint concerns *ownership*, not inventorship. "Claims concerning patent *ownership*
 18 do not create federal jurisdiction." *Prize Frize, Inc. v. Matrix (U.S.) Inc.*, 167 F.3d 1261, 1264 (9th
 19 Cir. 1999) (emphasis added). Indeed, it "long has been the law" that "the question of who *owns* the
 20 patent rights and on what terms typically is a question exclusively for *state* courts." *Jim Arnold*
 21 *Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997) (emphasis added) (dismissing
 22 for lack of federal jurisdiction). That is why this Court has subject matter jurisdiction over ST's
 23 complaint.

24 It makes no difference for purposes of this Court's jurisdiction whether Harari was named as
 25 a *sole* inventor or a *joint* inventor. In either case, there is a presumption that Harari had an
 26 ownership interest in the *entire* patent. This is an important point, and is the point that initially
 27 confused Judge Fogel. *See* Ex. 19, at 4:6–7:5. The law works as follows: A single patent usually
 28 has many *claims*, which are the numbered paragraphs at the end of the patent that define the

1 exclusive rights of the patent owner. *See* 35 U.S.C. § 112, ¶ 2. *Inventorship* is done on a claim-by-
 2 claim basis, which means (as Defendants repeatedly emphasize in their motion) that one claim in the
 3 patent may have been invented by one person, while another claim may have been invented by
 4 another person (or a combination of people). “[A] co-inventor need not make a contribution to every
 5 claim of a patent. *See* 35 U.S.C. § 116. A contribution to one claim is enough.” *Ethicon, Inc. v.*
 6 *U.S. Surgical Corp.*, 135 F.3d 1456, 1460 (Fed. Cir. 1998). Ownership, by way of contrast, is *not*
 7 done on a claim-by-claim basis: “property rights, including ownership, attach to *patents as a whole*,
 8 not individual claims.” *Id.* at 1466 (emphasis added). As a result, “a joint inventor as to even one
 9 claim [e.g., Harari] enjoys a presumption of ownership in the *entire* patent.” *Id.* (emphasis added).
 10 This has been described as the “steel trap of the *Ethicon* joint ownership rule” — a co-inventor of a
 11 *single* claim gains ownership of the *entire* patent, even if the patent includes dozens of claims
 12 invented by *other* people. *See Israel Bio-Eng’g Project v. Amgen Inc.*, 475 F.3d 1256, 1265–68
 13 (Fed. Cir. 2007) (holding that co-inventor of *one* claim had ownership interest in the *entire* patent),
 14 *cert. denied*, 127 S. Ct. 2994 (2007); *Ethicon*, 135 F.3d at 1465–66 (same).

15 When Judge Fogel initially denied ST’s motion to remand, he did not fully appreciate the
 16 rule of *Ethicon* described above. Upon reconsideration, Judge Fogel corrected his mistake:

17 In its March 20 Order, the Court rejected two of Defendants’
 18 arguments. . . .

19 What the Court did find persuasive was Defendants’ argument that
 20 Harari’s disclosure and assignment obligations extended only to those
 21 *portions* of the patented inventions that Harari personally conceived
 22 during his employment with WSI. Under this construction of the
 23 Inventions Agreement, Harari’s “inventive contribution” to each patent
 24 must be identified before it can be determined whether the patented
 25 invention fell within Harari’s disclosure and assignment obligations.
 26 Having reconsidered the matter, the Court now believes that this view
 27 is erroneous, for the reasons discussed below.

28

It is undisputed that Harari is named as sole inventor or co-
 inventor on the fifty patents at issue. “Patent issuance creates a
 presumption that the named inventors are the true and only inventors.”
Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1460
 (Fed. Cir. 1998). “Because conception is the touchstone of
 inventorship, each joint inventor must generally contribute to the
 conception of the invention.” *Id.* (internal quotation marks and
 citation omitted). “[E]ach co-inventor presumptively owns a pro rata

undivided interest in the entire patent, no matter what their respective contributions.” *Id.* at 1465. As a matter of law, then, the fact that Harari is named as a sole inventor or co-inventor on the patents at issue establishes that he contributed to the conception of the inventions described therein and that he thereafter acquired a pro rata undivided interest in each patent for which he is named an inventor. Because he was required to disclose to WSI *all* inventions that he conceived *alone or with others* during his term of employment, and to assign *his entire right* in such inventions if they related to WSI’s business, ***there is no need to inquire into Harari’s precise inventive contribution.*** The only relevant questions are whether the inventions described in the subject patents were “made or conceived” during Harari’s term of employment and, if so, whether the patented inventions related to WSI’s business as conducted during Harari’s term of employment.

Ex. 19, at 3:17–5:26 (emphasis in bold added).

Thus, under the rule of *Ethicon*, it does not matter for purposes of ST’s complaint *how many* claims of the patent were invented by Harari, or even *which* claims of the patent were invented by Harari, because there is a presumption that Harari contributed to *at least one* claim in each patent, which further creates a presumption that he had an ownership interest in the *entire* patent. As Judge Fogel properly concluded, ST’s complaint concerns that *ownership* interest in the entire patent and does not require resolution of Harari’s precise inventive contribution.

B. Under *Christianson*, ST’s right to relief does not necessarily depend on resolution of a substantial question of federal patent law (i.e., inventorship), and thus there is not exclusive federal jurisdiction

The parties agree that the test for exclusive federal jurisdiction is the following: Defendants must show that ST’s “well-pleaded complaint establishes . . . that [ST’s] right to relief *necessarily depends* on resolution of a substantial question of federal patent law [i.e., inventorship].” *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988) (emphasis added) (holding that patent-law issue was not *necessary* to the success of plaintiff’s antitrust claims). The parties also agree that “inventorship” (like patent infringement or patent invalidity) is a “substantial question of federal patent law.” *See Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1330 (Fed. Cir. 1998), *overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1358–59 (Fed. Cir. 1999) (en banc in relevant part).²

² In *Midwest*, the Federal Circuit held that its own law, rather than regional circuit law, should govern the question of preemption, contrary to what *Hunter* had held. *See Midwest*, 175 F.3d at

(Footnote continued)

1 The *Christianson* test for exclusive federal jurisdiction is a difficult test to meet:

- 2 • Defenses based on federal law are irrelevant: “[S]ince 1887 it has been settled law
3 that a case may not be removed to federal court on the basis of a federal defense,
4 including the defense of pre-emption, even if the defense is anticipated in the
5 plaintiff’s complaint, and even if both parties admit that the defense is the only
6 question truly at issue in the case.” *Franchise Tax Bd. v. Constr. Laborers Vacation*
7 *Trust*, 463 U.S. 1, 14 (1983) (9-0 decision) (remanding case to California state court);
8 *see also Christianson*, 486 U.S. at 809 (following *Franchise Tax Board*).
- 9 • Counterclaims based on federal law are also irrelevant. *See, e.g., Holmes Group, Inc.*
10 *v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 830–32 (2002) (counterclaim for
11 patent infringement).

12 Furthermore, it is not enough for Defendants to show that ST’s complaint *might*,
13 hypothetically, turn on the question of inventorship. Rather, Defendants must show that ST’s
14 ownership claim *necessarily depends* on resolution of an inventorship question. This issue has
15 repeatedly been considered by the federal courts of appeals and they have repeatedly held that
16 complaints such as ST’s complaint do *not necessarily depend* on resolution of an inventorship
17 question. *See Board of Regents v. NTT Corp.*, 414 F.3d 1358, 1362–65 (Fed. Cir. 2005); *E.I.*
18 *DuPont de Nemours & Co. v. Okuley*, 344 F.3d 578, 581–83 & n.1 (6th Cir. 2003); *Uroplasty, Inc.,*
19 *v. Advanced Uroscience, Inc.*, 239 F.3d 1277, 1279–80 (Fed. Cir. 2001); *AT&T Co. v. Integrated*
20 *Network Corp.*, 972 F.2d 1321, 1323–25 (Fed. Cir. 1992).

21 The leading case — and the case that Judge Fogel found most instructive — is *AT&T*. *See*
22 *Ex. 19*, at 6:1–:19. That case concerned an employment agreement nearly identical to the
23 employment agreement at issue in this case:
24
25

26 1358–59. The question of preemption is distinct from the question of exclusive federal jurisdiction
27 before this Court. “[T]he fact that federal law preempts state law does not necessarily mean state
28 courts are ousted of jurisdiction.” Weil & Brown, *Ca. Prac. Guide: Civ. Pro. Before Trial* ¶ 3:621
(The Rutter Group 2007).

<u>Contract term</u>	<u>AT&T case</u>	<u>This case</u>
What must be disclosed/assigned:	“inventions . . . made or conceived”	“inventions, improvements, discoveries and technical developments (‘Inventions’), whether or not patentable, made or conceived”
By whom:	“either solely or jointly with others”	“either alone or with others”
At what time:	“during the period of my employment”	“during the term of my employment”
Of what relevance:	“relating to any subject matter with which said Corporation is or may be concerned”	“which relate in any way to or are useful in [WSI’s] business as presently conducted or as conducted at any future time during my employment”

See 972 F.2d at 1323. The fact pattern of *AT&T* is also very similar to the fact pattern of this case: In the mid-1980s, four men left AT&T over the course of nine months, joined a new company, and then immediately filed a patent application naming the four men as co-inventors. *See id.* When AT&T learned about the patent application, it sued the four men and their new company in state court to gain ownership of (i.e., “title” to) the patent. *See id.* at 1322, 1324. The defendants removed the case to federal court, arguing that the assignment obligations quoted above would require an inventorship analysis under federal patent law. The Federal Circuit reversed and remanded the case to state court:

The only possible patent issue is the purport of the language of the contract, “inventions . . . conceived.” We disagree with the district court that conception of inventions, as used in the employment agreement, is solely a technical question of patent law. The former employees pledged to assign AT&T all rights to such inventions, but the contract sheds no further light on the meaning of inventions. Notwithstanding, there is no reason to assume it meant to cover only those which are patentable. It could include unpatentable inventions and inventions held as trade secrets as well. Likewise, *when an invention was conceived may be more a question of common sense than of patent law.* For example, if what the employees “conceived” at AT&T had not been patentable, or no patent had been sought, but it nevertheless was treated as a trade secret, their conduct still could have been in breach of the contract. In other words, the contract may have used conception in its generic, broadest sense. *We will not assume a bob-tailed meaning that could lead to derogation of the primary right of state courts to decide what state law has to say about this contract.*

Under *Christianson*, every theory of a claim as pled must depend on patent law if there is to be federal jurisdiction. Because “inventions . . . conceived” has both patent and general law meanings, AT&T may rely on one theory with patent connotations, and on another theory involving no patent question. Therefore, any patent issue is not necessary to AT&T’s claim, and is therefore not a substantial question of patent law; it is ancillary and cannot of itself sustain jurisdiction.

Id. at 1324 (emphasis added).

The facts of this case are even more compelling than the facts in *AT&T* because the contract in this case explicitly defines “Inventions” to cover *more* than just *patent* inventions: as shown in the chart above, “Inventions” is defined to encompass “inventions, improvements, discoveries and technical developments . . . *whether or not patentable*.” Thus Defendants are doubly incorrect when they argue to this Court (as they argued to Judge Fogel, *see* Ex. 3, at 9:9–:12) that ST’s complaint “requires the Court to identify Dr. Harari’s *inventive contribution* to the relevant patent applications as contrasted with his co-inventors.” Defs.’ Mem. at 9:22–:24 (emphasis added). First, Harari’s contract covers *all* Inventions, even Inventions that are not patentable (and thus obviously would not create a “substantial question of patent law”). Second, as Judge Fogel recognized, the phrase “inventive contribution” “does not appear in the Inventions Agreement and, indeed, the express language of that agreement directly contradicts the notion that only Harari’s ‘inventive contributions’ had to be disclosed and assigned.” Ex. 19, at 4:16–:18.

Remarkably, Defendants’ motion does not even cite or discuss *AT&T*, even though it was the case that Judge Fogel found most instructive. Instead, Defendants’ motion argues that the following, *hypothetical* fact pattern proves that there is exclusive federal jurisdiction over the patents in which Harari is named as a co-inventor:

<u>DEFENDANTS’</u> HYPOTHETICAL PATENT APPLICATION				
Co-Inventors Named on Face of Application: Harari, X, and Y				
<i>Claim / Invention</i>	<i>Actual Inventors</i>	<i>Invented while Harari employed with WSI?</i>	<i>Related to WSI’s business?</i>	<i>Did Harari have duty to assign to WSI?</i>
1	Harari, X, Y	Yes	No	No
2	Harari, Y	No	Yes	No
3	X, Y	Yes	Yes	No

1 Defs.’ Mem. at 10:7–:27. According to Defendants, “[t]his *hypothetical* is thus dispositive of the
 2 federal question inquiry because it reveals a circumstance in which a proper *ownership*
 3 determination could not be made without first conducting a threshold *inventorship* analysis.” *Id.* at
 4 11:8–:10 (emphasis added).

5 Defendants’ hypothetical turns the law on its head. If a *hypothetical* fact pattern were all it
 6 took to establish exclusive federal jurisdiction, then *AT&T* would have been decided the other way.
 7 For example, consider the following *hypothetical* fact pattern involving the four co-inventors from
 8 the *AT&T* case (call them A, B, C, and D) who “left *AT&T* at various times beginning in June 1985,
 9 with [D] being the last to leave in February 1986,” 972 F.2d at 1323.

HYPOTHETICAL PATENT APPLICATION IN <i>AT&T</i>				
Co-Inventors Named on Face of Application: A, B, C, and D				
<i>Claim / Invention</i>	<i>Actual Inventor(s)</i>	<i>Invented while employed with AT&T?</i>	<i>Related to AT&T’s business?</i>	<i>Duty to assign to AT&T?</i>
1	A	Yes	No	No
2	B	No	Yes	
3	C	Yes	No	
4	D	No	Yes	
5	A, C	Yes	No	
6	B, D	No	Yes	

19 As shown in the chart above, it is *possible* to construct a hypothetical fact pattern from *AT&T*
 20 in which a proper *ownership* determination could not be made without first conducting a threshold
 21 *inventorship* analysis, yet at the same time we know that the Federal Circuit found no federal
 22 jurisdiction in *AT&T*. That is because the test for exclusive federal jurisdiction is not whether there
 23 *might*, hypothetically be an inventorship question, but rather whether there *must* be an inventorship
 24 analysis:

- 25 • “[T]he presence of a ***possible*** question of inventorship does not convert the state law
 26 action into one arising under the patent laws.” *NTT*, 414 F.3d at 1363 (emphasis
 added).
- 27 • “[P]atent law jurisdiction is only invoked when *all* alternative theories necessarily
 28 state a complaint under the patent law.” “The alternative rule, that federal patent

jurisdiction is only invoked whenever *any* of the theories on the basis of which a claim may succeed necessarily states a complaint under patent law, would eradicate *Beech Aircraft's* distinction between inventorship actions, arising under the federal patent law, and patent ownership actions, not arising under the federal patent law, as any patent ownership claim could *hypothetically* succeed on the basis that the claimant was the inventor, rather than the contractual purchaser of the invention.” *DuPont*, 344 F.3d at 583 & n.1 (emphasis added).

- “We will not *assume* a bob-tailed meaning that could lead to derogation of the primary right of state courts to decide what state law has to say about this contract.” *AT&T*, 972 F.2d at 1324 (emphasis added).

Furthermore, on a motion for judgment on the pleadings, ST’s complaint must be taken as true, and thus this Court *must assume* that all of Harari’s inventions took place while he was employed with WSI, and this Court *must assume* that those inventions related to WSI’s business, as alleged in ST’s complaint. *See* Ex. 1, ¶¶ 17, 24–27, 30. Finally, Defendants’ chart is misleading because it implies that individual *claims* are assignable. To the contrary, as explained before, “property rights, including ownership, attach to *patents as a whole*, not individual claims.” *Ethicon*, 135 F.3d at 1466 (emphasis added). The following chart corrects the mistakes in Defendants’ chart and shows that an inventorship analysis is *not necessarily required* based on the facts alleged in ST’s complaint:

<u>ST’S COMPLAINT, TAKEN AS TRUE AND CONSTRUED LIBERALLY</u>				
Co-Inventors Named on Face of Application: Harari, X, and Y				
<i>Claim / Invention</i>	<i>Actual Inventors</i>	<i>Invented while Harari employed with WSI?</i>	<i>Related to WSI’s business?</i>	<i>Did Harari have duty to assign <u>the</u> <u>patent</u> to WSI?</i>
1	Harari, X, Y	Yes	Yes	Yes
2	Harari, Y	Yes	Yes	
3	X, Y	Yes	Yes	

Defendants argue that Judge Fogel reached the wrong conclusion because he was under the “mistaken belief” that Harari “contributed to *all* of the inventions described in the patent, thus obviating the need to determine which contributions Dr. Harari made to the co-invented patent applications.” Defs.’ Mem. at 12:3–:6 (emphasis added). But as shown in the chart directly above, one need not assume that Harari contributed to *all* of the inventions described in the patent to conclude that Harari was obligated to assign ownership of the patent to WSI. Furthermore, even if Judge Fogel had assumed that Harari contributed to *all* of the inventions described in the patent, that

1 assumption would have been a permissible basis for rejecting exclusive federal jurisdiction because
2 it proves that ST's complaint does *not necessarily require* an inventorship analysis.

3 In the end, Defendants' motion only cites three cases finding exclusive federal jurisdiction:
4 *Holiday Matinee, Inc. v. Rambus, Inc.*, 118 Cal. App. 4th 1413 (2004); *MCV, Inc. v. King-Seeley*
5 *Thermos Co.*, 870 F.2d 1568 (Fed. Cir. 1989); and *Air Products & Chemicals, Inc. v. Reichhold*
6 *Chemicals, Inc.*, 755 F.2d 1559 (Fed. Cir. 1985). Each of those cases is distinguishable:

- 7 • In *Holiday Matinee*, "each of Holiday's claims **required** a showing that Rambus's
8 patents were **invalid** and unenforceable." 118 Cal. App. 4th at 1426 (emphasis
9 added). Thus the right to relief necessarily depended on resolution of a substantial
10 question of patent law (i.e., patent invalidity).
- 11 • In *MCV*, the "cause of action is created by [35 U.S.C. § 256] which explicitly
12 authorizes judicial resolution of co-**inventorship contests** over issued patents." 870
13 F.2d at 1570 (emphasis added). Thus the right to relief necessarily depended on
14 resolution of a substantial question of patent law (i.e., inventorship).
- 15 • In *Air Products*, the complaint "averred that Reichhold has **infringed**, and continues
16 to infringe, the '388 patent . . . [and] prayed that the district court grant preliminary
17 and final injunctive relief against Reichhold, and those in privity therewith, to prevent
18 future violations of the rights secured to Air Products by the '388 patent." 755 F.2d
19 at 1562–63 (emphasis added). Thus the right to relief necessarily depended on
20 resolution of a substantial question of patent law (i.e., patent infringement).

21 For all of these reasons, there is not exclusive federal jurisdiction over any part of ST's
22 complaint, as Judge Fogel properly concluded.

23 C. **Judge Fogel has already concluded there is *not* exclusive federal**
24 **jurisdiction over ST's complaint, and thus this Court should do the same**

25 This Court should follow Judge Fogel's lead and reject Defendants' arguments. Judge Fogel
26 considered *twelve* briefs on this issue and held *two* hearings. *See* Exs. 2–19. He gave an
27 extraordinary amount of attention to Defendants' arguments yet still found them unpersuasive. This
28 Court should take advantage of Judge Fogel's hard work and reach the same conclusion.

Defendants argue this Court should ignore Judge Fogel's decision because "the remand order
is not binding in state court and is not law of the case." Defs.' Mem. at 13:9. But even if the
decisions by the Federal Circuit and Judge Fogel cited in this brief are not binding on this Court, this
Court should still give "great weight" to those decisions, "particularly . . . in the context of their
determination of federal law, as happened here." *Adams v. Pac. Bell Directory*, 111 Cal. App. 4th

1 93, 97–98 (2003) (following determination by federal court that state courts had jurisdiction).
2 Indeed, if this Court *disagreed* with Judge Fogel, that would “endorse the incongruous conclusion
3 that neither the federal nor the state court has jurisdiction to decide this controversy. The law does
4 not demand such an absurdity.” *Id.* at 95–96.

5 Furthermore, it would make little practical sense to disagree with Judge Fogel’s decision and
6 grant Defendants’ motion, given the balance of the hardships on the parties if it is determined on
7 appeal that Judge Fogel’s decision was correct. Defendants do not contest that this Court has
8 jurisdiction to consider whether Harari was obligated to disclose and assign to WSI the first three
9 patent applications (and resulting patents) in which Harari was named as the *sole* inventor. Thus no
10 matter how the Court rules on this motion, this Court will end up resolving the gravamen of ST’s
11 complaint — namely whether Harari breached his contractual and fiduciary obligations to WSI.
12 Accordingly, if this Court denies Defendants’ motion, but that is later determined on appeal to be
13 erroneous, there would be no prejudice to Defendants because they would still need to litigate the
14 gravamen of ST’s complaint either way. By way of contrast, if this Court grants Defendants’
15 motion, and that is later determined on appeal to be erroneous, there would be enormous prejudice to
16 ST because the error would require ST to needlessly litigate the *same* basic issues in both state and
17 federal court at the same time. Defendants have already been heard by Judge Fogel, who rejected
18 Defendants’ arguments, and thus it is only fair that Defendants should have to wait for an appeal to
19 challenge Judge Fogel’s decision.

20 In sum, this Court should adhere to Judge Fogel’s decision because it was correct; this Court
21 should give “great weight” to Judge Fogel’s opinion and the Federal Circuit cases he followed; and it
22 would make little practical sense to grant Defendants’ motion given the balance of the hardships on
23 the parties if it is determined on appeal that Judge Fogel’s decision was correct.

24 **IV. CONCLUSION**

25 For the foregoing reasons, SanDisk’s motion for judgment on the pleadings should be
26 DENIED.

1
2 Dated: February 20, 2008

By:

Russell L. Johnson / rmc

Russell L. Johnson (SBN 53833)
SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104
Telephone: (415) 772-1200
Facsimile: (415) 772-7400

*Attorneys for Plaintiff
STMicroelectronics, Inc.*

Exhibit F

1 MICHAEL A. LADRA, State Bar No. 064307
TERRY T. JOHNSON, State Bar No. 121569
2 JAMES C. YOON, State Bar No. 177155
MATTHEW R. REED, State Bar No. 196305
3 WILSON SONSINI GOODRICH & ROSATI
Professional Corporation
4 650 Page Mill Road
Palo Alto, CA 94304-1050
5 Telephone: (650) 493-9300
Facsimile: (650) 565-5100

6 Attorneys for Defendants
7 ELIYAHOU HARARI and
SANDISK CORPORATION
8

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF SANTA CLARA

11 STMICROELECTRONICS, INC.,)

CASE NO.: 1-07-CV-080123

12 Plaintiff,)

**DEFENDANTS' REPLY IN SUPPORT
OF THEIR MOTION FOR
JUDGMENT ON THE PLEADINGS**

13 v.)

14 ELIYAHOU HARARI, *et al.*,)

Date: March 11, 2008

15 Defendants.)

Time: 9:00 a.m.

Dept.: 10

Judge: Honorable Neal Cabrinha

No Trial Date Set

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. ARGUMENT	1
A. The Relief Sought By ST's Complaint Turns on "Inventorship" Issues Because ST's Alleged Co-Ownership Rights Arise From and Depend Solely on What Dr. Harari <i>Invented</i> , Not Merely What Dr. Harari <i>Owned</i>	1
B. ST's Claims <i>Necessarily Depend</i> on the Question of Inventorship Because <i>Every</i> Co-Invented Patent at Issue in this Case Must Be Subjected to an Inventorship Analysis in Order for ST to be Granted the Relief it Seeks	3
C. ST Cannot Deprive the Federal Courts of Their Exclusive Jurisdiction Over a Substantial Question of Patent Law Merely By Alleging that this Question Will Be Resolved in Its Favor	6
D. This Court Need Not and Should Not Give Any Weight to the District Court's Remand Order	7
E. Federal Law Deprives the Court of Jurisdiction Over ST's Claims Regardless of What ST Thinks is "Fair"	9
III. CONCLUSION	9

TABLE OF AUTHORITIES

Page(s)

CASES

<i>AT&T Co. v. Integrated Network Corp.</i> , 972 F.2d 1321 (Fed. Cir. 1992)	4, 5
<i>AT&T Commc'ns, Inc. v. Superior Court</i> , 21 Cal. App. 4th 1673 (1994)	7, 8
<i>Adams v. Pac. Bell Directory</i> , 111 Cal. App. 4th 93 (2003)	8
<i>Breed v. Hughes Aircraft Co.</i> , 253 F.3d 1173 (9th Cir. 2001)	9
<i>Christianson v. Colt Indus. Operating Corp.</i> , 486 U.S. 800 (1988)	6, 9
<i>Gemstar-TV Guide Intern., Inc. v. Int'l Trade Comm'n</i> , 383 F.3d 1352 (Fed. Cir. 2004)	4
<i>Holiday Matinee, Inc. v. Rambus, Inc.</i> , 118 Cal. App. 4th 1413 (2004)	6, 7
<i>Israel Bio-Engineering Project v. Amgen Inc.</i> , 475 F.3d 1256 (Fed. Cir. 2007)	2, 4
<i>Kircher v. Putnam Funds Trust</i> , 547 U.S. 633, 126 S. Ct. 2145 (2006)	7
<i>MCV, Inc. v. King-Seeley Thermos Co.</i> , 870 F.2d 1568 (Fed. Cir. 1989)	2, 3
<i>Machinists Automotive Trades Dist. Lodge v. Peterbilt Motors Co.</i> , 220 Cal. App. 3d 1402 (1990)	8
<i>Providence v. Valley Clerks Trust Fund</i> , 163 Cal. App. 3d 249 (1984)	8

STATUTES

28 U.S.C. § 1338(a)	7
28 U.S.C. § 1447(d)	8

1 I. INTRODUCTION

2 Plaintiff STMicroelectronics, Inc. ("ST") acknowledges that the issue of "inventorship" is
 3 a "substantial question of federal patent law" within the exclusive jurisdiction of the federal
 4 courts. ST's Opposition thus rests entirely on the proposition that its Complaint does not raise
 5 "inventorship" issues at all, but merely "ownership" questions. Opp'n at 4. ST is mistaken. Its
 6 ownership claims with respect to co-invented patents arise *solely* from what Dr. Harari *invented*
 7 while employed with WaferScale Integration ("WSI"), not from the larger universe of what Dr.
 8 Harari *owned* by virtue of being listed as a co-inventor on the patents at issue. Because the right
 9 to relief sought by ST requires the Court to parse out what Dr. Harari invented from what his co-
 10 inventors invented, ST's ownership claims necessarily depend on resolution of substantial
 11 questions of federal patent law. Therefore, the federal courts have exclusive jurisdiction over
 12 ST's claims, and Defendants respectfully request that the Court grant their Motion for Judgment
 13 on the Pleadings.

14 II. ARGUMENT

15 A. The Relief Sought By ST's Complaint Turns on "Inventorship" Issues 16 Because ST's Alleged Co-Ownership Rights Arise From and Depend Solely on What Dr. Harari *Invented*, Not What Dr. Harari *Owned*

17 ST admits that the issue of "inventorship" is a "substantial question of federal patent law"
 18 within the exclusive jurisdiction of the federal courts. Opp'n at 6. Accordingly, the Court need
 19 only determine whether or not ST's Complaint raises inventorship issues to decide the present
 20 motion. Because the Court cannot resolve ownership questions regarding co-invented patents
 21 without first determining each inventor's respective contribution to those patents, an inventorship
 22 analysis is required and a substantial federal question is necessarily present.

23 In an attempt to avoid this result, ST argues that its Complaint merely raises "ownership"
 24 questions as opposed to "inventorship" issues because as a listed co-inventor, Dr. Harari is
 25 presumed to have "an ownership interest in the *entire* patent." *Id.* at 6. That argument is
 26 misguided because Dr. Harari did not owe assignment obligations with respect to that which he
 27 *owned*, only to that which *he invented* during his employment that was related to WSI's business.

1 See Compl. Ex. A ¶ 3 (Dr. Harari's agreement pertaining to "'Inventions' . . . made or conceived
2 by me, either alone or with others, during the term of my employment").¹

3 Accordingly, the Court will need to determine what it was that Dr. Harari invented and
4 then decide whether that inventive contribution was assignable under the invention assignment
5 agreement. For its part, ST fails to set forth any theory under which it could possibly claim an
6 ownership right to a patent listing Dr. Harari as a co-inventor (and thus a co-owner of the entire
7 patent) where that patent contains some inventions related to WSI's business and some that are
8 not, and where Dr. Harari only participated in the invention of claims *not* related to WSI's
9 business. ST's failure in that regard is dispositive of the jurisdictional question because it
10 highlights the necessity of the threshold inventorship analysis.

11 Dr. Harari's ownership interest in the co-invented patents is simply irrelevant to the
12 inquiry because while a listed co-inventor is presumed to have ownership of an entire co-
13 invented patent, there is no presumption that the co-inventor actually contributed to all of the
14 inventions described in the co-invented patent. *See Israel Bio-Engineering Project v. Amgen*
15 *Inc.*, 475 F.3d 1256, 1263 (Fed. Cir. 2007) ("when . . . multiple inventors are listed on the face of
16 the patent, each co-owner 'presumptively owns a pro rata undivided interest in the entire patent,
17 *no matter what their respective contributions*'") (emphasis added); *see also* Opp'n at 5
18 (admitting that "[i]nventorship is done on a claim-by-claim basis, which means . . . that one
19 claim in the patent may have been invented by one person, while another claim may have been
20 invented by another person (or a combination of people)").

21 Not surprisingly, the relevant authorities make clear that federal courts have exclusive
22 jurisdiction where a plaintiff seeks to be named as a co-owner of a patent and where "co-
23 ownership arises from and depends solely on the patent law issue of inventorship." *MCV, Inc. v.*
24 *King-Seeley Thermos Co.*, 870 F.2d 1568, 1570-71 (Fed. Cir. 1989). In *MCV*, the plaintiff

25
26 ¹ An example illustrates this point. If Dr. Harari had received by bequest a patent during his
27 employment with WSI that related to WSI's business, he would not have owed a duty to assign
28 that patent to WSI based on his invention assignment agreement. The reason is manifest: the
invention assignment agreement applies to *Dr. Harari's inventions*, not to inventions to which
Dr. Harari acquired an ownership interest.

sought an assignment of co-ownership rights to a patent, arguing that the defendant should have listed the plaintiff's employee as a co-inventor on the patent because of his contributions to the claimed invention, even though the employee had previously agreed to be left off of the patent application. *Id.* at 1569. The court determined that the plaintiff's ownership claim came within the exclusive jurisdiction of the federal courts, not just because the complaint sought correction of the named inventors, but also because plaintiff was seeking to be assigned co-ownership of the patent by virtue of its employee's inventive contributions to the patent. *Id.* at 1570-71.

The result should be no different here; ST's ownership claim requires the Court to disaggregate inventive contributions to the co-invented patents. That is a prototypical inventorship analysis that can only be performed by federal courts.

B. ST's Claims *Necessarily Depend* on the Question of Inventorship Because Every Co-Invented Patent at Issue in this Case Must Be Subjected to an Inventorship Analysis in Order for ST to be Granted the Relief it Seeks

ST concedes that this Court lacks jurisdiction if Defendants "show that ST's ownership claim *necessarily depends* on resolution of an inventorship question." Opp'n at 7 (emphasis in original). Defendants have made that very showing because every co-invented patent at issue in this case must be subjected to an inventorship analysis to resolve ST's ownership allegations under the invention assignment agreement between Dr. Harari and WSI.

Under the theory alleged in ST's complaint, Dr. Harari owed no assignment obligations to WSI if that patent did not contain at least one claim describing an invention: (1) conceived by Dr. Harari (either alone or with others); (2) made during Dr. Harari's employment with WSI; and (3) related to WSI's business. Compl. ¶ 11-12. If there is no single claim within a patent that individually satisfies all three of these criteria, Dr. Harari would not have owed any assignment obligations for that patent.² Therefore, to determine whether ST is entitled to the relief it seeks, the Court must answer three questions with respect to every patent at issue in this case:

² ST points out that individual claims within a patent are not separately assignable. See Opp'n at 11. While that may be true, a determination of whether or not Dr. Harari contributed to a particular claim is a necessary step in determining whether he had any assignment obligation with respect to the patent as a whole because ST's ownership claims derive solely from what Dr. Harari invented.

1 (1) Which of the inventions³ described in this patent were conceived by Dr. Harari
2 either alone or with others?

3 (2) Of those inventions conceived by Dr. Harari, were any conceived by Dr. Harari
4 during his employment with WSI?

5 (3) Of those inventions conceived by Dr. Harari during his employment with WSI,
6 were any related to WSI's business?

7 The first of the above three questions in particular cannot be answered without
8 performing an inventorship analysis to parse out the inventions made by Dr. Harari from the
9 inventions to which Dr. Harari made no contribution. As admitted by ST, this analysis is
10 performed on a claim-by-claim basis. Opp'n at 5; *see also Gemstar-TV Guide Intern., Inc. v.*
11 *Int'l Trade Comm'n*, 383 F.3d 1352, 1381 (Fed. Cir. 2004) ("Because co-inventors need not
12 contribute to the subject matter of every claim of the patent, inventorship is determined on a
13 claim-by-claim basis.").

14 Because the Court must perform an inventorship analysis in order to answer this first
15 question, the primary case upon which ST bases its opposition, *AT&T Co. v. Integrated Network*
16 *Corp.*, 972 F.2d 1321 (Fed. Cir. 1992), is inapposite.⁴ In *AT&T*, the court did not have to answer
17 this first question regarding inventorship because all of the co-inventors listed on the patent at
18 issue were allegedly under an obligation to assign their inventions to the plaintiff. *Id.* at 1322.

19
20 ³ Each patent with multiple claims necessarily contains more than one invention because
21 "each claim must be considered as defining a separate invention." *Israel Bio-Engineering*
22 *Project v. Amgen Inc.*, 475 F.3d 1256, 1263 (Fed. Cir. 2007) ("*IBEP*") ("each claim must be
23 considered as defining a separate invention")

24 ⁴ In *AT&T*, the plaintiff sued four former employees and the new company they formed
25 ("INC"). AT&T alleged that the four employees invented a communications terminal while
26 employed by AT&T and breached their invention assignment agreement with AT&T by
27 assigning a patent covering the terminal to INC instead of AT&T. *Id.* at 1322. Defendants
28 argued that federal patent law issues would necessarily have to be applied in order for AT&T to
prove *when* the invention was conceived, that is, either while the inventors were employees of
AT&T or of INC. *Id.* at 1323. The Federal Circuit held that determination of when the
"inventions" as defined by the contract had been "conceived" did not necessarily involve patent
issues because there was no indication that the contract was intended only to cover patentable
inventions or that the contract intended to afford only a patent law meaning to the word
"conceive." *Id.* at 1324.

Hence, the court did not have to determine which inventors conceived of which inventions.⁵ The defendants in *AT&T* did not even argue that an inventorship analysis was necessary.⁶ See generally *id.* at 1323-25. Nor did they attempt to argue that the patented inventions were not related to their former employer's business. See *id.* at 1323. Absent these arguments, the Federal Circuit recognized that "[t]he only possible patent issue" in *AT&T* related to when the inventions were conceived and the meaning of the contract language "conceived." *Id.* at 1324. Thus, in *AT&T*, the court did not consider the primary issue presented by the present case: whether a substantial question of federal patent law must be resolved to grant relief to a plaintiff seeking an assignment of the rights of a single co-inventor to patents with multiple inventors.

Accordingly, the holding of *AT&T* is inapplicable to the issues raised by the Defendants' present motion. Here, unlike in *AT&T*, Dr. Harari is the only one of the co-inventors listed on the patent applications at issue that is alleged to have had any assignment obligations to WSI. See generally Compl. ¶¶ 11-12. Consequently, an inventorship analysis cannot be bypassed because the Court will be required to parse out the inventions made by Dr. Harari from the inventions made solely by his co-inventors for every co-invented patent of which ST seeks an assignment. Therefore, ST's claims necessarily depend on questions of inventorship, bringing ST's claims within the exclusive jurisdiction of the federal courts.

⁵ The fact that all of the named co-inventors on the patent at issue in *AT&T* allegedly had assignment obligations to the plaintiff renders irrelevant the individual contributions of the co-inventors and meaningless ST's chart illustrating a "Hypothetical Patent Application in *AT&T*." See Opp'n at 10.

⁶ ST incorrectly states that the defendants in *AT&T* argued that an "inventorship analysis" was required to resolve the parties' dispute. See Opp'n at 8. However, a thorough review of the *AT&T* case reveals that the defendants made no such argument. Rather, the defendants' sole jurisdictional argument was based on the fact that the court would have to determine "when the invention was conceived" by the co-inventors. See *id.* at 1323. The Federal Circuit's opinion reveals no dispute regarding "who" conceived of the particular elements of the invention at issue or whether or not a claim-by-claim analysis was even necessary to parse out the individual contributions of the co-inventors.

C. ST Cannot Deprive the Federal Courts of Their Exclusive Jurisdiction Over a Substantial Question of Patent Law Merely By Alleging that this Question Will Be Resolved in Its Favor

ST argues that an inventorship analysis is not required because the Court must assume the truth of the factual allegations contained in the Complaint at the pleadings stage. Specifically, ST contends that the Court “*must assume* that all of Harari’s inventions took place while he was employed with WSI, and this Court *must assume* that those inventions related to WSI’s business, as alleged in ST’s complaint.”⁷ Opp’n at 11 (emphasis in original). In other words, ST asks the Court to ignore the *path* by which ST must travel to prove its claims, even though the Court will be required to resolve substantial questions of federal patent law along that path. ST’s argument must be rejected because it would obliterate the doctrine of exclusive federal jurisdiction if it were accepted. ST cannot escape the exclusive jurisdiction of the federal courts over the inventorship analysis required by ST’s claims merely by alleging that this substantial question of patent law will be resolved in its favor.

Although the Court must assume the truth of all matters alleged in the complaint at this stage, a plaintiff cannot deprive the federal courts of exclusive jurisdiction over substantial questions of patent law merely by alleging in the complaint that federal questions are not implicated or that federal questions will turn ultimately in its favor. To the contrary, in deciding a jurisdictional question based upon the presence of substantial questions of federal patent law, the court must look down the road to determine what steps must be performed to *resolve* the dispute and then determine whether the plaintiff’s “right to relief necessarily depends on *resolution* of a substantial question of federal patent law.” *Holiday Matinee, Inc. v. Rambus, Inc.*, 118 Cal. App. 4th 1413, 1427-28 (2004) (quoting *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (1988)) (emphasis added). The relevant inquiry is *how* ST must prove

⁷ Aside from its other deficiencies, this argument overlooks the fact that ST does not allege in its complaint that “all of Harari’s inventions took place while he was employed with WSI” or that “those inventions related to WSI’s business.” The complaint only makes these allegations with respect to three of the many patents and patent applications at issue in this complaint. See Compl. ¶ 47 (with respect to the ‘338 patent), ¶ 49 (with respect to the 07/204,175 patent application), and ¶ 50 (with respect to the 07/337,566 patent application).

1 its case, and that inquiry cannot be avoided by merely adverting to the truism that factual
2 allegations are accepted as true on pleadings motions.

3 If, as ST suggests, a plaintiff could avoid a demurrer for lack of subject matter
4 jurisdiction merely by alleging the outcome of a substantial question of federal patent law, *every*
5 complaint brought in state court in which a plaintiff based its right to relief on alleged
6 infringement of a patent, invalidity of a patent, or inventorship of a patent would be allowed to
7 proceed in state court. Such a notion is absurd, not only because it would frustrate the purpose of
8 28 U.S.C. § 1338(a), but also because ST's suggestion is clearly not the law. *See, e.g., Holiday*
9 *Matinee, Inc. v. Rambus, Inc.*, 118 Cal. App. 4th 1413, 1426-28 (2004) ("Complaint was
10 demurrable because of the absence of jurisdiction over the subject matter of the action" where
11 complaint was based upon the alleged invalidity and unenforceability of defendant's patents).
12 Accordingly, in determining its jurisdiction over ST's claims, the Court must determine if the
13 relief sought in the pleadings requires it to perform an inventorship analysis to resolve the
14 parties' dispute.

15 **D. This Court Need Not and Should Not Give Any Weight to the District**
16 **Court's Remand Order**

17 In deciding whether the federal courts have exclusive jurisdiction over ST's claims, this
18 Court need not and should not give any weight to the district court's remand order.

19 Following remand, the state court "is perfectly free to reject the remanding court's
20 reasoning." *Kircher v. Putnam Funds Trust*, 547 U.S. 633, 126 S. Ct. 2145, 2156-57 (2006)
21 (holding that, after remand, defendants "could ask for dismissal . . . when they return to the state
22 court" with "no bar to such a revisitation of the [issue decided by the remanding district court]").
23 Accordingly, California courts can and do dismiss claims that have been remanded from federal
24 district court despite a contrary ruling by the district court prior to remand. *See, e.g., AT&T*
25 *Commc'ns, Inc. v. Superior Court*, 21 Cal. App. 4th 1673, 1680-81 (1994) (after remand from
26 federal district court, state court reached opposite conclusion from district court and held that
27 state courts lacked subject matter jurisdiction over plaintiff's state law claims on federal
28 preemption grounds), *review denied* (Apr. 21, 1994), *cert. denied*, 513 U.S. 917 (1994);

1 *Provience v. Valley Clerks Trust Fund*, 163 Cal. App. 3d 249, 256-262 (1984) (same);
2 *Machinists Automotive Trades Dist. Lodge v. Peterbilt Motors Co.*, 220 Cal. App. 3d 1402
3 (1990) (finding federal preemption of state law claims after remand from federal court).

4 While ST asks the Court to give “great weight” to the decision of the district court that
5 remanded this action, Opp’n at 12-13 (citing *Adams v. Pac. Bell Directory*, 111 Cal. App. 4th 93,
6 97-98 (2003)), such deference cannot be given to a federal trial court under California law.
7 Indeed, the one case that ST cites accorded “great weight” to a prior federal court decision only
8 because that opinion came from the Ninth Circuit Court of Appeals, as opposed to a trial court.
9 See *Adams*, 111 Cal. App. 4th at 97-98 (“But, although not binding, we give great weight to
10 federal *appellate court* decisions.”) (emphasis added). In that circumstance, it is “appropriate to
11 apply the principles of the law of the case.” *Id.* However, “the doctrine of law of the case
12 applies *only to appellate court* decisions” and not to the decisions of federal trial courts. *AT&T*,
13 21 Cal. App. 4th at 1680 (emphasis added). Here, no appellate court has ruled on the jurisdiction
14 issue presented by Defendants’ motion, and Defendants were not permitted to appeal the remand
15 order of the federal district court. See 28 U.S.C. § 1447(d) (“An order remanding a case to the
16 State court from which it was removed is not reviewable on appeal or otherwise . . .”).
17 Therefore, the prior remand order of the district court is not entitled to any deference at all, let
18 alone “great weight.”

19 ST also argues that this Court should follow the federal district court’s remand order in
20 deciding this motion because the district court “considered twelve briefs on this issue and held
21 two hearings.” Opp’n at 12. The facts underlying that argument actually cut decidedly in favor
22 of Defendants’ position that deference should not be accorded to the remand order. Indeed, after
23 considering a full cycle of briefs and conducting a hearing, the district court *ruled in favor of*
24 *Defendants and denied ST’s motion to remand*. See Weibell Decl. Ex. 1. The fact that the
25 present inquiry touches upon such complex issues of federal patent law that the district court
26 considered twelve briefs, heard oral argument at two separate hearings, and issued two
27 contradictory opinions belies any notion that another court examining the same issue could not
28

1 reasonably reach a conclusion opposite that of the district court's remand order. Therefore, this
2 Court should certainly consider the jurisdictional issue independently.

3 **E. Federal Law Deprives the Court of Jurisdiction Over ST's Claims**
4 **Regardless of What ST Thinks is "Fair"**

5 As a last gasp, ST argues that the Court should "consider the balance of the hardships on
6 the parties" and exercise jurisdiction "because it is only fair." Opp'n at 13. This argument is
7 misguided because the only fair result here is for federal questions to be resolved in federal court
8 as Congress required. Regardless, the point need not be belabored because arguments related to
9 "fairness" and "equity" are not considered by the Court when deciding a question of subject
10 matter jurisdiction. *See Christianson*, 486 U.S. at 818 (court lacking jurisdiction to hear a case
11 may not reach the merits even if acting "in the interest of justice"); *Breed v. Hughes Aircraft Co.*,
12 253 F.3d 1173, 1179 (9th Cir. 2001) ("Regrettably, questions of convenience or efficiency can
13 play no role in our decision. Harsh as a transfer at this stage of the litigation may seem, we are
14 constrained by statute and Supreme Court precedent. Jurisdiction is not a question of equity").
15 Accordingly, the Court should decide the jurisdictional issue without reference to ST's "fairness"
16 and convenience arguments.

17 **III. CONCLUSION**

18 For the foregoing reasons and the reasons set forth in Defendants' opening memorandum,
19 Defendants respectfully request that their Motion for Judgment on the Pleadings be GRANTED.

20
21 Dated: February 27, 2008

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

22
23
24 By: 

Michael A. Ladra

25
26 Attorneys for Defendants
ELIYAHOU HARARI and
27 SANDISK CORPORATION
28

Exhibit G

(ENDORSED)
FILED
MAR 11 2008
KIRI TORRE
Chief Executive Officer/Clerk
Superior Court of CA County of Santa Clara
BY DAVID K. WALKER DEPUTY

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SANTA CLARA

STMICROELECTRONICS, INC.,

Plaintiff,

v.

ELIYAHOU HARARI, *et al.*,

Defendants.

Case No. 1-07-CV-080123

ORDER RE: DEFENDANTS' MOTION
FOR JUDGMENT ON THE PLEADINGS

The motion of defendants Eliyahou Harari and SanDisk Corporation for judgment on the pleadings came on for hearing before the Honorable Neal A. Cabrinha on March 11, 2008, at 9:00 A.M. in Department 10. The matter having been submitted, the Court now rules as follows:

The requests by defendants and plaintiff for judicial notice are granted.

Defendants have failed to show from the face of the Complaint, or matters judicially noticeable, that any of plaintiff's causes of action are created by federal patent law or that plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law. (*Christianson v. Colt Industries Operating Corp.* (1988) 486 U.S. 800, 809.)

1 The Complaint in this case concerns a question of patent ownership, a
2 question exclusively for state courts. (*Jim Arnold Corp. v. Hydrotech Sys., Inc.*
3 109 F.3d 1567, 1572 (Fed. Cir. 1997).)

4 Accordingly, defendants' motion for judgment on the pleadings is denied.

5 March 11, 2008

NEAL A. CABRINHA

JUDGE OF THE SUPERIOR COURT

Exhibit H

**UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C. 20436**

**Before the Honorable Charles E. Bullock
Administrative Law Judge**

In the Matter of

**Certain Flash Memory Controllers, Drives,
Memory Cards, and Media Players and
Products Containing Same**

Inv. No. 337-TA-619

**REPLY TO (1) SANDISK'S MEMORANDUM IN OPPOSITION TO
RESPONDENTS' MOTION TO TERMINATE THE INVESTIGATION FOR GOOD
CAUSE OR ALTERNATIVELY TO STAY THE INVESTIGATION; (2)
COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO TERMINATE, OR
ALTERNATIVELY STAY, THE INVESTIGATION AS TO THE '808 PATENT**

Respondents Phison Electronics Corp., Kingston Technology Co., Kingston Technology Corp., MemoSun, Inc., Payton Technology Corp. (collectively "Respondents") present this Reply Brief to (1) address several inaccurate statements of law upon which SanDisk's opposition is based; and (2) address the points raised by the Commission Investigative Staff in its Response. As described further below, a termination or a stay of the '808 patent is the only way to spare the Judge and the ITC the burden of having to analyze and adjudicate a complex morass of California state law only to find these efforts ultimately dependent on the future rulings of a California state court. At a time when the Commission and the Administrative Law Judges are busier than ever before, it is a waste of Commission resources to proceed down this duplicative and ultimately fruitless path. This is especially true in the current investigation where SanDisk apparently intentionally omitted from its complaint any reference to the California litigation regarding ownership of the '808 patent, which denied the Commission the opportunity to consider this situation prior to institution. Now, in its opposition, SanDisk has compounded that omission by egregiously misstating black letter law in a manner likely to mislead the Judge into believing that the California state litigation will not destroy its standing under the '808 patent.

I. It is Black Letter Law that STMicroelectronics cannot be Involuntarily Joined

Section III.C. of SanDisk's Opposition is entitled "Even if ST Were a Co-Owner, Its Current Absence From This Investigation Does Not Affect SanDisk's Right to Sue." However, as will be described below, this statement is patently false. Within the past year, the Federal Circuit has unambiguously stated that the failure to join a co-owner is a fatal jurisdictional defect and that a co-owner cannot be involuntarily joined under Federal Rule of Civil Procedure No. 19. First, in *Israel Bio-Engineering Project v. Amgen, Inc.*, the Federal Circuit held that "one co-owner has the right to limit the other co-owner's ability to sue infringers by refusing to join voluntarily in the patent infringement suit." 475 F.3d 1256, 1264 (Fed. Cir. 2007) (emphasis added). Then, less than a month ago, the Federal Circuit noted in *DDB Technologies L.L.C. v. MLB Advanced Media, L.P.* that:

[W]e have explicitly held that Rule 19 does not permit the involuntary joinder of a patent co-owner in an infringement suit brought by another co-owner. See *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456, 1468 (Fed. Cir. 1998) ("[A]s a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit.")

Case No. 2007-1211, page 7, footnote no. 2 (February 13, 2008) (emphasis added), attached hereto as Exhibit 1 and *available at* <http://www.cafc.uscourts.gov/opinions/07-1211.pdf>.

In light of this precedent, SanDisk has no legal basis for its assertion that "[a] fair case could also be made that, if ST were adjudicated a co-owner, it would nonetheless not be necessary to join ST." SanDisk's Opposition, page 10. Tellingly, SanDisk cites no authority in support of this proposition, nor does it attempt to distinguish the Federal Circuit's holding in *Israeli Bio-Engineering*, despite the fact that this case was cited and discussed in Respondents' initial moving papers¹.

There is no case, fair or otherwise, to be made for SanDisk's assertion that it can proceed on the '808 patent "regardless of the result in the California state case." *Id.* Notwithstanding

¹ Interestingly, one of the attorneys for SanDisk in this investigation was counsel for the defendants in the *Israel Bio-Engineering* case.

this binding authority, SanDisk spends two pages of its opposition attempting to convince the Judge that the opposite is true, concluding on page 10 with “[t]hus, if ST were a necessary party, ST could, in fact, be joined.” However, as described above, the law is quite clearly the opposite, and an STM victory in the California state litigation would be fatal to the ‘808 patent unless STM could be convinced to join, which, given the combative history between SanDisk and STM, is unlikely.

II. Respondents will be Able to Assert STM’s Non-Joinder as a Defense

In section III.D. of its opposition, SanDisk asserts that “[i]t has long been settled that a claim that an inventor had an obligation to assign his interest in a patent to a third party ‘may not be asserted as a defense in an action for infringement.’” Opposition, page 11, lines 9-12. As an initial point, Respondents note that Section 337(c) provides expressly that “[a]ll legal and equitable defenses may be presented in all cases,” and SanDisk’s standing defect certainly qualifies as both a legal and equitable defense. Notwithstanding this, to support its assertion of “long settled” law, SanDisk cites to a 1975 Seventh Circuit case and a 1970 Court of Claims case. Notably, SanDisk did not cite a single Federal Circuit case to support its statements. The reason for this conspicuous absence is that the Federal Circuit has ruled just the opposite in numerous cases including those cited above. Non-joinder of a co-owner of a patent is a jurisdictional issue that can be raised as a defense by any accused party. See *Israel Bio-Engineering*, 475 F.3d at 1263 (noting that “[t]he key question on appeal is whether IBEP had standing to maintain the patent infringement action against Amgen without the joinder of Yeda [a third party]); see also *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1376 (Fed. Cir. 2000) (“As a threshold issue, we must determine whether any of the Appellees in this suit had standing to maintain an infringement action against A-Roo without joining Southpac [a third party]”).

Moreover, contrary to SanDisk’s statements, the California state litigation is not about whether Dr. Harari “had an obligation to assign his interest,” but rather about converting STM’s

equitable title into a legal title. As stated in the *DDB Technologies* case, “[i]f the contract expressly grants rights in future inventions, ‘no further act [is] required once an invention [comes] into being,’ and ‘the transfer of title [occurs] by operation of law.’” Exhibit 1, Case No. 2007-1211 at 10 *quoting FilmTec v. Allied Signal*, 939 F.2d 1568,1573 (Fed. Cir. 1991). Dr. Harari’s assignment stated that he “assign[ed]...my entire right, title, and interest in and to such Inventions which relate in any way to or are useful in Company’s business.” STM Complaint, exhibit A, paragraph 3, included as Exhibit 1 of Respondents Motion to Terminate the ‘808 Patent. The assignment did not say that he would assign or that he was obligated to assign. Accordingly, under the *DDB Technologies* case and its predecessors, there was no contractual obligation to assign the ‘808 patent, because the assignment took place automatically upon invention. As such, STM appears to already have equitable title to the ‘808 patent, and as a non-joined owner, STM’s absence from the investigation of the ‘808 patent is a jurisdictional defect that is available as a defense to Respondents.²

III. SanDisk and the Staff Underestimate the Efficiency to be Gained by a Stay

Both SanDisk and the Staff assert that a stay would not be efficient, because the investigation would continue with regard to the remaining four patents. *See* Opposition at 16, and Staff’s Response at 5. Respondents concede that the investigation of the four other patents would likely continue, but due to the number of unique issues and factors that swirl around the ‘808 patent, and the ‘808 patent alone, a stay of the ‘808 patent would radically reduce the scope of this investigation. Among the issues unique to the ‘808 patent are the following:

- The California state litigation.³

² Respondents also note that SanDisk spent considerable time in its opposition arguing that STM is “precluded from asserting ownership of the ‘808 patent, both by *res judicata* and by the compulsory counterclaim requirement.” Opposition, page 1. To the best of Respondents knowledge, however, this argument has not been raised as a defense in the California state litigation. *See* SanDisk’s Case Management Statement, Respondents’ Motion to Terminate, Exhibit 5. Respondents find it curious that this argument is featured so prominently in SanDisk’s Opposition, but does not appear to be asserted as one of its actual defenses.

³ As described in Respondents’ Motion to Terminate, if the investigation of the ‘808 patent proceeds, the ALJ will essentially have to duplicate the proceedings of the California state court. As the text of the Opposition and the

- There are at least four separate reported prior litigations involving the '808 patent itself or other patents in the same patent family (including an appeal to the Federal Circuit). Each of these previous cases carries with it a voluminous record that will have to be examined at every stage of the proceedings, including the upcoming *Markman* hearing.
- The '808 patent is the oldest of the patents and its investigation will involve a different universe of prior art than the much newer asserted patents 6,426,893; 6,763,424, and 7,130,011. The only asserted patent that is even remotely close in time is 6,947,332, which involves a completely different subject matter.⁴
- As the oldest patent asserted, the '808 patent uses terms in ways that are distinctly different from the usage of the same terms in later patents.
- At least seven of Respondents' Affirmative Defenses involve only the '808 patent.

The '808 patent has taken and will continue to take considerably more time and resources than the remaining four patents. In a normal case, this fact would not be important, but in this investigation, proceeding with the '808 patent is essentially gambling a tremendous amount of public and private resources on the outcome of the California state litigation. In the likely event that the California state litigation is decided in STM's favor, all of the time and effort invested in investigating the '808 patent would have been wasted.

At a time when the Commission is busier than ever, it is not in the public interest to gamble public and private resources on the outcome of a state court proceeding. It is far more efficient and logical to either stay or terminate the '808 patent until the California state court resolves this dispute. This is especially true in this investigation, because SanDisk has asserted the remaining four patents against the same products and parties as the '808 patent. This means that SanDisk's remedy would remain the same regardless of whether the '808 patent is stayed or

28 exhibits attached thereto indicate, this endeavor will be time consuming and complicated, involving numerous decision under California law.

⁴ The '332 patent involves emulation of a hard disk drive system, including flash memory chips and a controller. It is significantly different than the '808 patent which concerns only the internal operation of the flash memory of the chips alone, and not the controllers for those chips.

terminated. Given this and the potential to greatly reduce the complexity and scope of the investigation, a termination or stay of the '808 patent would be prudent and fair to all of the parties.⁵

IV. The Judge has the Power to Terminate the Investigation for Good Cause

In its response, the Staff asserts that the Judge does not have the authority to terminate the investigation based on the California state litigation. Staff Response, page 2, lines 12-16. As an initial point, Respondents note that its Termination request is premised both on SanDisk's lack of standing based on the California state litigation and SanDisk's inexplicable omission of this litigation from the Complaint and its pre-institution discussions with the Staff, which denied the Commission and Staff the opportunity to examine this litigation prior to institution.

The Staff bases its argument on *Farrel Corporation v. United States International Trade Commission*, 949 F.2d 1147 (Fed. Cir. 1991). Staff's Response, page 2. The section of *Farrel* relied upon by the Staff states that "the statutory language states that after a section 337 investigation is instituted, its non-conclusive termination may be based only on those grounds explicitly provided for in the statute itself." 949 F.2d at 1153. The Staff construes this section of *Farrel* to hold that the Judge may only terminate investigations that "fall within any of the categories set forth in Section 337(c)(1)," namely a settlement, arbitration, or a consent order. Staff's Response, page 3, lines 2-5.

The Staff reads *Farrel* too broadly. Indeed, elsewhere in the *Farrel* case, the Federal Circuit noted that "other situations could arise where a section 337 investigation may be terminated without a conclusive determination...[such as when] the complaint is withdrawn...[or when] the issue becomes moot," but the Federal Circuit declined to address those situations. *Farrel*, 949 F.2d at 1152 (emphasis added). If termination were truly restricted solely to the categories set forth in Section 337(c)(1), the Federal Circuit would not have left open this

⁵ Respondents would equally favor a stay of the entire investigation if the termination or stay of the '808 patent alone is not viewed as appropriate under the circumstances or as an efficient use of Commission resources.

exception for “other situations.” *See id.* This exception suggests that *Farrel* is a limited holding directed solely to “whether the Commission can avoid its statutorily mandated duty to reach a determination . . . [when there is] a private arbitration agreement.” *Id.* at 1154.

In any event, the Commission’s activities since *Farrel* indicate that the Commission also believes that *Farrel* is limited to arbitration agreements only. The current version of Commission Rule 210.21(a), which was proposed and enacted after *Farrel*, provides that any party may move to terminate “on the basis of withdrawal of the complaint or certain allegations contained therein, or for good cause other than the grounds listed in paragraph (a)(2) of this section.” 19 C.F.R. 210.21(a) (emphasis added). As the grounds listed in paragraph (a)(2) are the grounds listed in Section 337(c), clearly the Commission did not think that *Farrel* restricted termination to just these grounds. If the Staff’s interpretation of *Farrel* is correct, it would mean that the Commission intentionally drafted and promulgated rules that contradict the mandate of the Federal Circuit in *Farrell*. Respondents do not think that this is the case.⁶

Respondents assert that the Commission intended the Judges to have the power to terminate based on withdrawal, or for good cause, under Rule 210.21(a), the latter specifically applicable to situations such as this one. Defending against a complaint in an ITC investigation is one of the most expensive legal proceedings in which a party can find itself. The compressed schedule and broad discovery typically mean that the cost of even simple investigations can run into the millions of dollars. These extreme litigation costs have a high potential for abuse, and many Respondents, especially smaller Respondents, are often forced to settle because they cannot afford to defend themselves.

The Commission has two primary mechanisms to ensure that the investigation process is not abused. The first is the Commission’s pre-institution review of the complaint, and the second is the ALJ’s authority to terminate an investigation in the interest of good cause under Rule 210.21(a). ALJ Bullock has employed the authority under 210.21(a) numerous times. *See*

⁶ It would also mean that the innumerable parties that were terminated based on a withdrawal of the allegations, were improperly terminated.

Universal Transmitters for Garage Door Openers, 337-TA-497, Order No. 14. (terminating based on the *res judicata* effect of a district court decision even though an appeal to the Federal Circuit was pending); *Certain Rechargeable Lithium-Ion Batteries, Components Thereof, and Products Containing Same*, 337-TA-600, Order No. 19 (terminating based on settlement agreements with a Respondent's suppliers).

In the present investigation, the Judge's authority to terminate is more important than usual, because SanDisk's improper omissions from the complaint from the California state court litigation denied the Commission the opportunity to consider whether SanDisk actually had standing to assert the '808 patent. Instituting a rule that would deny Respondents relief in this situation would only serve to encourage Complainants to withhold information from the Commission, secure in the knowledge that the Judge has no power to address this behavior and affect the outcome of the investigation.

V. Conclusion

For each of the reasons set forth above, Respondents believe termination of the investigation as to the '808 patent under Commission Rule 210.21(a) for good cause, or alternatively a stay of the '808 patent, is not only warranted under the rules, but a fair and proper result.

Respectfully Submitted,

Dated: March 3, 2008

FISH & RICHARDSON P.C.



David M. Barkan

FISH & RICHARDSON P.C.

500 Arguello St., Suite 500

Redwood City, CA 94063

Tel: (650) 839-5070

Fax: (650) 839-5071

Michael Chibib

David Hoffman

FISH & RICHARDSON P.C.

One Congress Plaza, Suite 810

111 Congress Avenue
Tel.: (512) 472-5070
Fax: (512) 320-8935

Joseph V. Colaianni, Jr.
Jeffrey R. Whieldon
FISH & RICHARDSON P.C.
1425 K Street, N.W., Suite 1100
Washington, DC 20005
Tel.: (202) 783-5070
Fax: (202) 783-2331

*Attorneys for Respondents Phison Electronics Corp.,
Kingston Technology Co., Kingston Technology Corp.,
MemoSun, Inc., and Payton Technology Corp*

S.J. Christine Yang
LAW OFFICES OF S.J. CHRISTINE YANG
17220 Newhope Street
Suites 101 & 102
Fountain Valley, CA 92708
(714) 641-4022

*Attorney for Respondents Kingston Technology Co.,
Kingston Technology Corp., MemoSun, Inc., and
Payton Technology Corp.*

CERTIFICATE OF SERVICE

It is hereby certified that copies of the foregoing MOTION FOR LEAVE TO FILE A REPLY TO (1) SANDISK'S MEMORANDUM IN OPPOSITION TO RESPONDENTS' MOTION TO TERMINATE THE INVESTIGATION FOR GOOD CAUSE OR ALTERNATIVELY TO STAY THE INVESTIGATION; (2) COMMISSION INVESTIGATIVE STAFF'S RESPONSE TO TERMINATE, OR ALTERNATIVELY STAY, THE INVESTIGATION AS TO THE '808 PATENT and REPLY were served this 3rd day of March, 2008, on:

Marilyn Abbott
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C. 20436

SERVED BY ELECTRONIC FILING

The Honorable Charles E. Bullock
U.S. International Trade Commission
500 E Street, S.W., Room 112-F
Washington, D.C. 20436

SERVED BY HAND DELIVERY
(2 copies)

SERVED BY EMAIL:
Jennifer.Whang@USITC.gov

Christopher G. Paulraj, Esq.
Office of Unfair Import Investigations
U.S. International Trade Commission
500 E Street, S.W., Room 112-F
Washington, D.C. 20436

SERVED BY E-MAIL:
Christopher.Paulraj@usitc.gov

Michael A. Ladra
James C. Yoon
Julie Holloway
Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304-1050

Attorneys for Complainant
SANDISK Corp.

SERVED BY E-MAIL:
JYoon@wsgr.com
mladra@wsgr.com
jochs@wsgr.com
abaranski@wsgr.com
jholloway@wsgr.com

Nicole W. Stafford
Wilson Sonsini Goodrich & Rosati
8911 Capital of Texas Highway
North Westech 360, Suite 3350
Austin, TX 78759

Attorneys for Complainant
SANDISK Corp

SERVED BY E-MAIL:
nstafford@wsgr.com

Steven E. Adkins
Eric S. Namrow
Ric Macchioroli
Richard Fieman
JONES DAY
51 Louisiana Ave., N.W.
Washington, D.C. 20001

Attorneys for Complainant
SANDISK Corp.

SERVED BY E-MAIL:
337-619@jonesday.com

Robert W. Dickerson
JONES DAY
555 S. Flower St., 50th Fl.
Los Angeles, CA 90071

Attorneys for Complainant
SANDISK Corp.

SERVED BY E-MAIL:
337-619@jonesday.com

Michael J. Bettinger
Chien-Wei Chou
Harold H. Davis Jr.
KIRKPATRICK & LOCKHART PRESTON
GATES ELLIS LLP
55 Second Street, Suite 1700
San Francisco, CA, 94105-3493

Attorneys for Respondent
ACER Inc.

SERVED BY E-MAIL:
SanDisk_itc_619@klgates.com

Brian K. McCalmon
KIRKPATRICK & LOCKHART PRESTON
GATES ELLIS LLP
1601 K Street, NW
Washington, D.C. 20006-1600

Attorneys for Respondent
ACER Inc.

SERVED BY E-MAIL:
SanDisk_itc_619@klgates.com

Sturgis M. Sobin
Maureen Browne
Johnny C. Chiu
HELLER EHRMAN LLP
1 E. Main Street, Suite 201
Madison, WI 53703-5118

Attorneys for Respondents A-DATA
TECHNOLOGY CO., LTD., A-DATA
TECHNOLOGY (USA) CO., Ltd.,
CORSAIR MEMORY, INC., POWER
QUOTIENT INTERNATIONAL,
INC., POWER QUOTIENT
INTERNATIONAL (HK), INC. LTD.,
PQI CORP., CHIPSBRAND
MICROELECTRONICS (HK) CO.,
LTD., CHIPSBANK
TECHNOLOGIES (SHENZHEN) CO.,
LTD., SHENZHEN CHIPSBANK
MICROELECTRONICS CO., LTD.,
SKYMEDI CORP., AND USBEST
TECHNOLOGY, INC.

SERVED BY E-MAIL:

DC-

337FlashMemory@hellerehrman.com

Add-On Technology Co.
Attn: General Counsel
IF, No. 11, Lane 206
Da-An, Road Sec. 1
Taipei, Taiwan, R.O.C.

Respondent
SERVED BY MAIL

Michael J. Bettinger
Chien-Wei Chou
Harold H. Davis Jr.
KIRKPATRICK & LOCKHART PRESTON
GATES ELLIS LLP
55 Second Street, Suite 1700
San Francisco, CA, 94105-3493
Telephone: (415) 882-8200

Attorneys for Respondents
APACER TECHNOLOGY, INC.,
APACER MEMORY AMERICA,
INC., TRANSCEND INFORMATION
INC., TRANSCEND INFORMATION
MARYLAND, INC., SILICON
MOTION TECHNOLOGY Corp.,
SILICON MOTION INC. (a Taiwan
corporation),
SILICON MOTION, INC. (a California
Corporation), and SILICON MOTION
INTERNATIONAL, INC.

SERVED BY E-MAIL:
SanDisk_itc_619@klgates.com

Brian K. McCalmon
KIRKPATRICK & LOCKHART PRESTON
GATES ELLIS LLP
1601 K Street, NW
Washington, D.C. 20006-1600

Attorneys for Respondents
APACER TECHNOLOGY, INC.,
APACER MEMORY AMERICA,
INC., TRANSCEND INFORMATION
INC., TRANSCEND INFORMATION
MARYLAND, INC., SILICON
MOTION TECHNOLOGY CORP.,
SILICON MOTION INC. (a Taiwan
corporation), SILICON MOTION,
INC. (a California Corporation), and
SILICON MOTION
INTERNATIONAL, INC.

SERVED BY E-MAIL:
SanDisk_itc_619@klgates.com

Behavior Tech Computer (USA) Corp. (dba BTC
USA)
Attn: General Counsel
4180 Business Center Drive
Fremont, CA 94538

Respondent
SERVED BY MAIL

Behavior Tech Computer Corp.
Attn: General Counsel
20F-B, No.98, Sec. 1, Hsin Tai 5th Rd.,
Hsichih City, Taipei 22102,
Taiwan, R.O.C.

Respondent
SERVED BY MAIL

Charles C.H. Wu
WU & CHEUNG, LLP
98 Discovery
Irvine, CA 92618-3105

Attorneys for Respondents DANE
ELEC CORP. USA (dba
INTERVALLE CORP., DBA DANE-
ELEC MFG. USA), DANE-ELEC
MEMORY S.A., and
DEANTUSAIOCHT DANE-ELEC
TEO (dba DANE-ELEC MFG.)

SERVED BY E-MAIL:
cchwu@wclawyers.com

Emprex Technologies Corp.
Attn: General Counsel
20F, 108 Hsin Tai Wu Rd., Sec. 1
Hsichih City, Taipei County
Taiwan, R.O.C.

Respondent
SERVED BY MAIL

Peter H. Kang,
Theodore W. Chandler
SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104-1522

Attorneys for Respondents LG
ELECTRONICS, INC., and
LG ELECTRONICS U.S.A., INC.

SERVED BY E-MAIL:
sf-lgesandiskitc@sidley.com

Brian Koo,
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, D.C. 20005

Attorneys for Respondents LG
ELECTRONICS, INC., and
LG ELECTRONICS U.S.A., INC.

SERVED BY E-MAIL:
sf-lgesandiskitc@sidley.com

Louis Mastriani
ADUCCI MATRIANI & SCHAUMBERG, LLP,
1200 17th St., N.W.,
Washington, D.C., 20036

Attorneys for Respondents IMATION
CORP., IMATION ENTERPRISES
CORP., and MEMOREX CORP.

SERVED BY E-MAIL:
IMA-002@adduci.com

B. Todd Jones
Ron Schutz
Richard Martinez
ROBINS KAPLAN MILLER & CIRESI, LLP,
2800 La Salle Plaza,
800 La Salle Ave.,
Minneapolis, MN, 55402

Attorneys for Respondents IMATION
CORP., IMATION ENTERPRISES
CORP., and MEMOREX CORP.

SERVED BY E-MAIL:
btjones@rkmc.com
rjschutz@rkmc.com
mmartinez@rkmc.com

Yitai Hu
Richard Chae
AKIN GUMP STRAUSS HAUER & FELD LLP
2 Palo Alto Square
3000 El Camino Real, Suite 400
Palo Alto, CA 94306

Attorneys for Respondents SKYMEDI
CORP., TRANSCEND
INFORMATION INC., and
TRANSCEND INFORMATION
MARYLAND, INC.

SERVED BY E-MAIL:
yhu@akingump.com
rchae@akingump.com

Tobias Zimmerman
AKIN GUMP STRAUSS HAUER & FELDL LP
1333 New Hampshire Ave, N.W.
Washington, D.C. 20036

Attorneys for Respondents SKYMEDI
CORP., TRANSCEND
INFORMATION INC., and
TRANSCEND INFORMATION
MARYLAND, INC.

SERVED BY E-MAIL:
tzimmerman@akingump.com

Syscom Development Co., Ltd.
c/o Insigner Corporation Services (BVI) Ltd.
Palm Grow Service House
PO Box 438
Road Town, Tortola, British Virgin Islands

Respondent
SERVED BY MAIL

Perry Clark
Sarah Forney
Kimberly Spencer
KIRKLAND & ELLIS LLP
555 California Street
San Francisco, California 9410

Attorneys for Respondent
VERBATIM CORP.

SERVED BY E-MAIL:
INV337-619-Verbatim@kirkland.com

Zotek Electronic Co., Ltd. (dba Zodata Technology
Ltd.)
Attn: General Counsel
13F No. 508 Chung Hsiao E. Road
Taipei City, 11083
Taiwan, R.O.C.

Respondent
SERVED BY MAIL

A handwritten signature in black ink, reading "Nicholas H. Ramm", with a long horizontal flourish extending to the right. The signature is written over a thin horizontal line.

Exhibit 1

United States Court of Appeals for the Federal Circuit

2007-1211

DDB TECHNOLOGIES, L.L.C.,

Plaintiff-Appellant,

v.

MLB ADVANCED MEDIA, L.P.,

Defendant-Appellee.

Michael D. Gannon, McDonnell Boehnen Hulbert & Berghoff LLP, of Chicago, Illinois, argued for plaintiff-appellant. With him on the brief were Michael H. Baniak, and Christina L. Brown.

Sharon R. Barner, Foley & Lardner LLP, of Chicago, Illinois, argued for defendant-appellee. With her on the brief were Jonathan R. Spivey and Michael R. Houston. Of counsel on the brief was Anat Hakim, of Washington, DC.

Appealed from: United States District Court for the Western District of Texas

Judge Lee Yeakel

United States Court of Appeals for the Federal Circuit

2007-1211

DDB TECHNOLOGIES, L.L.C.,

Plaintiff-Appellant,

v.

MLB ADVANCED MEDIA, L.P.,

Defendant-Appellee.

Appeal from the United States District Court for the Western District of Texas in case no. 04-CV-352, Judge Lee Yeakel.

DECIDED: February 13, 2008

Before NEWMAN, Circuit Judge, CLEVINGER, Senior Circuit Judge, and DYK, Circuit Judge.

Opinion for the court filed by Circuit Judge DYK. Opinion dissenting in part and concurring in part filed by Circuit Judge NEWMAN.

DYK, Circuit Judge.

Appellant DDB Technologies, L.L.C. ("DDB") appeals from a decision of the United States District Court for the Western District of Texas. The district court dismissed DDB's patent infringement suit against MLB Advanced Media, L.P. ("MLBAM") for lack of subject matter jurisdiction. We hold that the district court correctly held that DDB's asserted statute of limitations and equitable defenses were not available and that no jury trial was required on the issue of standing. However, we hold that the district court erred in denying DDB's request for jurisdictional discovery. Therefore we affirm in part and vacate in part the judgment of the district court, and we

remand for limited jurisdictional discovery and for further consideration of the district court's jurisdiction based on that discovery.

BACKGROUND

I

Plaintiff-Appellant DDB is a company formed by Dr. David Barstow and his brother Daniel Barstow. The two Barstow brothers were the named inventors of the patents in suit. Those patents include three "Computer Simulation Patents," U.S. Patent Nos. 5,526,479 ("479 patent"), 5,671,347 ("347 patent"), and 6,204,862 ("862 patent"), all relating to a method for generating a computer simulation of a live event for display on a viewer's computer, and one "Pattern-Matching Patent," U.S. Patent No. 5,189,630 ("630 patent"), relating to a method allowing a viewer to search for certain information about a live event. In 1998, the Barstow brothers assigned these patents to DDB, which they had formed to commercialize and further develop their inventions.

The ultimate question here is whether the interest of Dr. David Barstow ("Barstow") in these patents was previously assigned to his former employer, Schlumberger Technology Corporation ("Schlumberger").¹ Barstow, a computer scientist, worked for Schlumberger from 1980 until 1994. At the start of his employment, Barstow entered into an employment agreement that included the following relevant provisions:

3. Employee shall promptly furnish to Company a complete record of any and all technological ideas, inventions and improvements, whether patentable or not, which he, solely or jointly, may conceive, make or first disclose during the period of his employment with [Schlumberger].

¹ There is no contention that Daniel Barstow's interest was assigned to Schlumberger. All of Daniel Barstow's interest was assigned to DDB.

4. Employee agrees to and does hereby grant and assign to Company or its nominee his entire right, title and interest in and to ideas, inventions and improvements coming within the scope of Paragraph 3:

a) which relate in any way to the business or activities of [Schlumberger], or

b) which are suggested by or result from any task or work of Employee for [Schlumberger], or

c) which relate in any way to the business or activities of Affiliates of [Schlumberger],

together with any and all domestic and foreign patent rights in such ideas, inventions and improvements. Employee agrees to execute specific assignments and do anything else properly requested by [Schlumberger], at any time during or after employment with [Schlumberger], to secure such rights.

J.A. at 470-71 (emphasis added).

During his employment with Schlumberger, Barstow worked on several projects related to the development of computer software used to control and record data measured by physical sensors used in logging oil wells, and on other software development projects. Barstow also worked on several personal projects during that time period, including collaborating with his brother Daniel on a method for broadcasting data about a live event, such as a baseball game, and producing a simulation of that event to be viewed on a computer. This project eventually led to the applications for the four patents in suit, two of which were filed and one of which was issued during Barstow's employment with Schlumberger.

While employed at Schlumberger, Barstow discussed this project with Charles Huston, Schlumberger's general counsel for software matters, and Dr. Reid Smith, the director of the lab in which Barstow worked. Both Huston and Smith testified that they knew Barstow was working on a "baseball simulator" project, J.A. at 153, that they had

discussed the project with Barstow and also between themselves, and that they did not believe at the time that the project belonged to Schlumberger. Huston stated, "Dave came to Ref[i]d and myself and said this is what I'm doing. If there is any problem with this let me know and Ref[i]d and I discussed it and we don't see how it applies to Schlumberger's business." J.A. at 154. Smith testified that Barstow's project was "general knowledge" at Schlumberger, that he had never "suggest[ed] to Dr. Barstow that the personal work he was doing belonged to Schlumberger," and that he was not "aware of anyone at Schlumberger ever stating a belief that Dr. Barstow's personal work belonged to Schlumberger." J.A. at 165-66. However, the extent of Huston and Smith's knowledge of the project is unclear from the record.

The only written communication from Barstow produced at the hearing was an e-mail sent from Barstow to Smith requesting permission to "include a short biography of [Barstow] in the biographical section" on a product resulting from a "project of [his] brother's . . . involv[ing] a scheme for recording symbolic descriptions of baseball games . . . and providing software for home computers that would do things like simulation and search." J.A. at 965. Barstow also advised Smith that "some patents may issue this year, in both of our names," and promised to "let [Smith] know if it actually happens." Id. Smith forwarded the e-mail to Huston, who wrote back, "I see no problem with Dave having his biography included if he is a coauthor of the work." Id. Although Huston testified that he did not think Barstow "concealed details of his personal project," J.A. at 153, he also admitted that he did not recall any documentation about the project, other than the e-mail, being provided. Similarly, Smith stated that he did not know what other documentation about the project Barstow had provided to others at Schlumberger.

II

In 2004, DDB filed this patent infringement action against MLBAM, alleging that MLBAM provides several Internet services related to baseball that infringe the Computer Simulation Patents and the Pattern-Matching Patent. More than a year later, immediately before the close of discovery, MLBAM entered into negotiations with Schlumberger to acquire any interest that Schlumberger had in the patents in suit. Several months later, on April 7, 2006, Schlumberger and MLBAM entered into an agreement that assigned to MLBAM all of Schlumberger's rights and interest in the patents in suit and granted MLBAM a retroactive license to practice under those patents.

On May 1, 2006, MLBAM moved the district court to dismiss the action for lack of subject matter jurisdiction, based on DDB's failure to join all owners of the patents in suit (including MLBAM) and on DDB's inability to pursue an infringement claim against MLBAM by virtue of its newly acquired ownership interest in those patents. DDB subsequently filed a motion to extend the briefing schedule and to obtain limited expedited discovery and depositions on the issues raised by MLBAM's motion to dismiss. MLBAM indicated that it would agree to a thirty-day extension for "reasonable discovery," J.A. at 892, although it now disputes the extent of the discovery it was willing to provide. Nonetheless, the district court denied DDB's discovery motion, and scheduled a hearing on the motion to dismiss for June 8, 2006. The court held a telephonic conference to determine whether the parties would be allowed to present witness testimony at the hearing, and ultimately decided to allow each party thirty minutes and to use part of its thirty-minute argument time to present witness testimony.

At the hearing, DDB used its time to present the testimony by Huston and Smith described above. MLBAM presented testimony by Dale Gaudier, Schlumberger's general patent counsel, about the nature of Schlumberger's business at the time Barstow worked for the company.

On September 26, 2006, the district court granted MLBAM's motion to dismiss. The court found that the patents in suit fell within the scope of Barstow's employment agreement because they were both "suggested by" and "related to" his work for Schlumberger. In determining that the patents in suit were "suggested by" Barstow's work, the district court relied particularly on their relation to two prior patents issued to Schlumberger that named Barstow as the inventor. During the prosecution of three of the four patents in suit, one of these patents was listed by the patent examiners as prior art (although not cited by the applicant as prior art). In determining that the patents in suit were "related to" Barstow's work, the court relied in part on a 1992 letter from Barstow to his brother Daniel which the district court interpreted as an admission by Barstow of such a relation. Because the language of the employment agreement provided for an automatic assignment of Barstow's rights, the court rejected DDB's statute of limitations, waiver, estoppel, and laches defenses. The court also held that the equitable defenses were not available because Barstow had not complied with the disclosure requirements of Paragraph 3 of the employment agreement. Having concluded that Schlumberger, and thereafter MLBAM, was a co-owner of the patents, the court determined that it lacked subject matter jurisdiction because DDB had not joined Schlumberger and could not join MLBAM. See Israel Bio-Eng'g Project v. Amgen Inc., 475 F.3d 1256, 1264-65 (Fed. Cir. 2007) ("Absent the voluntary joinder of all co-

owners of a patent, a co-owner acting alone will lack standing."').² The court did not address whether DDB was entitled to a jury trial on the disputed jurisdictional facts.

DDB timely appealed the district court's dismissal to this court. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

The district court's decision as to the lack of subject matter jurisdiction is a question of law that we review de novo. See Pennington Seed, Inc. v. Produce Exch. No. 299, 457 F.3d 1334, 1338 (Fed. Cir. 2006). We review the district court's underlying factual determinations for clear error. See Plumtree Software, Inc. v. Datamize, LLC, 473 F.3d 1152, 1158 (Fed. Cir. 2006).

I

DDB first argues that, even if the patents in suit were within the scope of the employment agreement, Schlumberger's claim of ownership is barred by the statute of limitations; that Schlumberger has waived any claim of ownership it may have had through its long period of inaction in asserting an interest in the patents in suit; and that Schlumberger is subject to estoppel by laches based on its unreasonable delay in

² Contrary to the dissent, we have explicitly held that Rule 19 does not permit the involuntary joinder of a patent co-owner in an infringement suit brought by another co-owner. See Ethicon, Inc. v. United States Surgical Corp., 135 F.3d 1456, 1468 (Fed. Cir. 1998) ("[A]s a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit.") (emphasis added). Ethicon notes two exceptions, neither of which is applicable to this case: (1) an exclusive licensee may join the patent owner as an involuntary plaintiff in an infringement suit, see Independent Wireless Telegraph Co. v. Radio Corp. of America, 269 U.S. 459, 469 (1926); and (2) a co-owner who, by agreement, waives his right to refuse to join suit, may be forced to join an infringement suit, see Ethicon, 135 F.3d at 1468 n.9. Notably, the appellant does not assert that MLBAM could be joined as an involuntary plaintiff.

asserting its rights. DDB also argues estoppel by acquiescence based on Schlumberger's implicit and explicit assurances that the patents belonged to Barstow, and equitable estoppel based on Barstow's reliance on communications from Schlumberger that led him to believe the company was not claiming rights in the patents. The district court determined that the assignment under the agreement was automatic, and that under such circumstances Texas law precluded the assignor from asserting waiver, estoppel by acquiescence, and equitable estoppel against the assignee. See DDB Techs., L.L.C. v. MLB Advanced Media, L.P., 465 F. Supp. 2d 657, 669 (W.D. Tex. 2006); Johnson v. Structured Asset Servs., Inc., 148 S.W.3d 711, 722 (Tex. App. 2004) ("An assignor cannot urge estoppel or waiver against his assignee after making a valid assignment."); Univ. of Tex. Med. Branch v. Allan, 777 S.W.2d 450, 453 (Tex. App. 1989). DDB does not dispute that state law would bar these defenses if there had been an automatic assignment; rather, it urges that there was no automatic assignment.

We must first determine whether the question of automatic assignment is governed by federal or state law. Although state law governs the interpretation of contracts generally, see Thatcher v. Kohl's Department Stores, Inc., 397 F.3d 1370, 1373 (Fed. Cir. 2005), the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases. We have accordingly treated it as a matter of federal law. See Speedplay, Inc. v. Bebop, Inc., 211 F.3d 1245, 1253 (Fed. Cir. 2000); Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1580-81 (Fed. Cir. 1991); cf. Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp., 284 F.3d 1323, 1328 (Fed. Cir. 2002)

(holding that bona fide purchaser defense is governed by federal law). Applying federal law, we have held that whether an assignment of patent rights in an agreement such as the one in this case is automatic, requiring no further act on the part of the assignee, or merely a promise to assign depends on the contractual language. If the contract expressly grants rights in future inventions, “no further act [is] required once an invention [comes] into being,” and “the transfer of title [occurs] by operation of law.” FilmTec, 939 F.2d at 1573 (contract provided that inventor “agrees to grant and does hereby grant” all rights in future inventions); see also Speedplay, 211 F.3d at 1253 (contract provided that employee’s inventions within the scope of the agreement “shall belong exclusively to [employer] and [employee] hereby conveys, transfers, and assigns to [employer] . . . all right, title and interest in and to Inventions”). Contracts that merely obligate the inventor to grant rights in the future, by contrast, “may vest the promisee with equitable rights in those inventions once made,” but do not by themselves “vest legal title to patents on the inventions in the promisee.” Arachnid, 939 F.2d at 1581 (contract provided that, for inventions within the scope of the agreement, “all rights . . . will be assigned by [inventor] to CLIENT”).

Paragraph 4 of Barstow’s employment agreement with Schlumberger stated that Barstow “agrees to and does hereby grant and assign” all rights in future inventions falling within the scope of the agreement to Schlumberger. J.A. at 471 (emphasis added). This contractual language was not merely an agreement to assign, but an express assignment of rights in future inventions.³ The district court therefore correctly

³ DDB argues that the employment agreement itself contemplated an additional act of assignment, and that reading the agreement to create an automatic assignment is therefore inappropriate. DDB relies on the clause in the agreement that

determined that, if the patents in suit were within the scope of the employment agreement, they would have been automatically assigned to Schlumberger by operation of law with no further act required on the part of the company. Accordingly, DDB's statute of limitations, waiver, and estoppel defenses have no merit.

We turn then to the question whether the employment agreement covered the patents in suit because they "relate in any way to the business or activities" of Schlumberger, or "are suggested by or result from" Barstow's work for Schlumberger. Those issues, of course, are governed by Texas law.

II

The sole jury trial issue in this case concerns whether DDB is entitled to a jury trial on the jurisdictional issue of standing. We hold that it is not. DDB argues that, because the jurisdictional issue and the merits of the case are intertwined, the district court should not have dismissed the case on jurisdictional grounds without a jury trial on the merits as to the question of whether the contract provided for assignment of the patents in suit. Because the question of a patentee's right to a jury trial "implicates the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction, i.e., patent law," Gardco Manufacturing, Inc. v. Herst Lighting Co., 820 F.2d 1209, 1212 (Fed. Cir. 1987), we apply our own law rather than the law of the regional circuit. The right to a jury trial on disputed jurisdictional facts that also implicate the merits of plaintiff's cause of action is an issue of first impression for this court.

states: "Employee agrees to execute specific assignments and do anything else properly requested by Company, at any time during or after employment with Company, to secure such rights." J.A. at 471. We see nothing in this clause that conflicts with the clear language of the present, automatic assignment provision in the agreement.

Most of the regional circuits look to the degree of intertwinement between the jurisdictional facts and the facts underlying the merits of the cause of action to determine whether dismissal on jurisdictional grounds is appropriate, or whether resolution of the issues must await summary judgment proceedings or trial on the merits. See, e.g., Torres-Negrón v. J&N Records, LLC, 504 F.3d 151, 163 (1st Cir. 2007) (whether jurisdictional and merits issues are “distinct and independent”).⁴ We agree with the majority of the regional circuits that the degree of intertwinement of jurisdictional facts and facts underlying the substantive claim should determine the appropriate procedure for resolution of those facts. This inquiry can present complex questions. In this case, however, we think that the interpretation of the employment agreement, which depends in part on state contract law and in part on this circuit’s law

⁴ See also Autery v. United States, 424 F.3d 944, 956 (9th Cir. 2005) (whether “jurisdictional issue and substantive claims are so intertwined that resolution of the jurisdictional question is dependent on factual issues going to the merits”) (citation omitted); Morrison v. Amway Corp., 323 F.3d 920, 926 (11th Cir. 2003) (whether same statute provides basis for both subject matter jurisdiction and substantive claim for relief); Sizova v. Nat’l Inst. of Standards & Tech., 282 F.3d 1320, 1324 (10th Cir. 2002) (“[T]he underlying issue is whether resolution of the jurisdictional question requires resolution of an aspect of the substantive claim.”) (citation omitted); London v. Polishook, 189 F.3d 196, 198 (2d Cir. 1999) (whether “jurisdiction is so intertwined with the merits that its resolution depends on the resolution of the merits”) (citation omitted); United States v. North Carolina, 180 F.3d 574, 581 (4th Cir. 1999) (“[W]hile the merits and jurisdictional questions are not identical, they are so closely related that the jurisdictional issue is not suited for resolution in the context of a motion to dismiss for lack of subject matter jurisdiction.”); Osborn v. United States, 918 F.2d 724, 730 (8th Cir. 1990) (whether “the jurisdictional issue is ‘so bound up with the merits that a full trial on the merits may be necessary to resolve the issue’”) (citation omitted); Weidner Commc’ns, Inc. v. H.R.H. Prince Bandar Al Faisal, 859 F.2d 1302, 1310 n.11 (7th Cir. 1988) (“call[ing] to the attention of the district court” on remand a Ninth Circuit case holding that “where jurisdictional issues and substantive issues are so intertwined that the issue of jurisdiction is dependent on resolution of factual issues going to the merits,” dismissal on jurisdictional grounds is inappropriate); Eubanks v. McCotter, 802 F.2d 790, 793 (5th Cir. 1986) (whether “the [same] statute provides both the basis of federal court subject matter jurisdiction and the cause of action”) (citation omitted).

regarding patent assignment clauses, is not so intertwined with the substantive federal patent law governing DDB's infringement claims and MLBAM's invalidity counterclaims that dismissal on jurisdictional grounds would be inappropriate. We therefore reject DDB's argument that the district court erred by holding a preliminary hearing, rather than awaiting jury trial on the merits, to resolve the jurisdictional issues. Although we hold that DDB has no right to a jury trial on the issue of standing, there of course remains a right to jury trial on other appropriate issues in the case.

III

DDB also argues that the district court erred by not granting its motion for jurisdictional discovery before dismissing on jurisdictional grounds. In general, "[w]e review the district court's denial of additional discovery, an issue not unique to patent law, for abuse of discretion, applying the law of the regional circuit." Digeo, Inc. v. Audible, Inc., 505 F.3d 1362, 1370 (Fed. Cir. 2007). However, "[i]n determining the relevance of a request for jurisdictional discovery, we apply Federal Circuit law." Commissariat à l'Energie Atomique v. Chi Mei Optoelectronics Corp., 395 F.3d 1315, 1323 (Fed. Cir. 2005). In this case, the limited jurisdictional discovery requested by DDB clearly was relevant to the existence of subject matter jurisdiction.

Plainly, the employment agreement is ambiguous as to what is "related to" or "suggested by" Barstow's work for Schlumberger, because resort to extrinsic evidence, for example, as to the nature of Schlumberger's business or to that of Barstow's work, is necessary to determine whether the provision applies. DDB argues that the patents in suit are not within the scope of these terms because Schlumberger's business and Barstow's work for Schlumberger during the 1980 to 1994 period involved controlling

and recording data from physical sensors used in the oil business, whereas the patents in suit describe a technique for broadcasting information about live events, such as sporting events, using a computer simulation. MLBAM, with equal fervor, argues that the patents in suit are covered by the agreement.

Under both Texas contract law and general contract law, when a contract is ambiguous, “[c]onduct of the parties which indicates the construction that the parties themselves placed on the contract may . . . be considered in determining the parties’ true intent.” Consolidated Eng’g Co. v. S. Steel Co., 699 S.W.2d 188, 192-93 (Tex. 1985); see also 11 Samuel Williston & Richard A. Lord, A Treatise on the Law of Contracts § 32:14 (4th ed. 1993) (“[T]he parties’ own practical interpretation of the contract—how they actually acted, thereby giving meaning to their contract during the course of performing it—can be an important aid to the court.”). Here, evidence that the parties during performance agreed that Barstow’s work leading to the patents in suit was not covered by the agreement would be highly relevant, if not dispositive.

At the hearing on MLBAM’s motion to dismiss, DDB presented witness testimony suggesting that Schlumberger knew about Barstow’s work on the project leading to the patents in suit, considered whether it fell within the scope of the employment agreement, and concluded that it did not. Charles Huston, Schlumberger’s in-house counsel for software matters from 1990 to 1995, testified that he knew Barstow was working on a personal project related to computer simulations of baseball games, that he had discussed the project with Dr. Reid Smith, the director of the laboratory in which Barstow worked, and that they had concluded that it did not apply to Schlumberger’s business. Likewise, Dr. Smith testified that neither he nor anyone else at Schlumberger

had ever suggested that Barstow's project belonged to the company. Barstow testified by declaration that he had discussed the project several times with Huston and Smith, and that "[n]o one from Schlumberger, including Mr. Smith, and Mr. Huston ever told [him] that the DDB patented techniques belonged to Schlumberger." J.A. at 951. Moreover, during the period from 1994, when Barstow left Schlumberger, until September 2005, when MLBAM contacted the company to initiate negotiations for an assignment of rights, Schlumberger did nothing to indicate that it believed it had an ownership interest in the patents in suit.

However, Schlumberger's view that the agreement did not apply (and its silence) would only be significant if Schlumberger had been aware of the nature of Barstow's project. The crucial question thus was the extent of Schlumberger's knowledge of the project at the time that the company's officers concluded that the project was not within the scope of the agreement. The problem is that DDB was denied discovery on this central issue. MLBAM filed its motion to dismiss on May 1, 2006, several months after the close of discovery. DDB on May 12, 2006, filed a motion to extend the discovery period and for limited jurisdictional discovery. The motion listed several categories of pertinent documents, including those related to "Schlumberger's ownership interest in [the patents in suit]," "[c]ommunications between Dr. David Barstow and Schlumberger, including those pertaining to inventions of Dr. David Barstow," "[a]ny agreements between Dr. David Barstow and Schlumberger including, but not limited to, any employment agreement," and "[a]ny alleged breach of any agreements between Dr.

David Barstow and Schlumberger.”⁵ J.A. at 886. On the same day, MLBAM’s counsel indicated by e-mail to counsel for DDB that it would “agree to extend 30 days for reasonable discovery and will work with you if there needs to be a slightly longer extension.” J.A. at 892. DDB then, *inter alia*, filed a subpoena for Schlumberger, seeking documents and Rule 30(b)(6) deposition on a variety of pertinent subjects. The district court denied the discovery motion on May 18, 2006.

DDB’s discovery requests could have led to the production of documents (if they existed) such as copies of the applications for the patents in suit in Schlumberger’s files, notes of conversations by Schlumberger employees demonstrating the extent of the company’s knowledge of the inventions, further communications between Barstow and Schlumberger regarding the inventions, or communications as to whether Schlumberger’s officers or employees believed that Schlumberger had an ownership interest in those inventions.⁶

⁵ MLBAM argues that this document discovery would have been futile, because its witness, Dale Guadier, testified at the hearing that “even before DDB’s subpoena, a search was made and no additional documents were located.” Br. of Def.-Appellee at 20 n.10. This is not an accurate characterization of Gaudier’s testimony. Although Gaudier testified that he had not found “any other documentation regarding the technology at issue,” J.A. at 138, he also clearly testified that he had seen the list of documents requested by DDB in its subpoena but did not “go through and try to find all the documents that are described . . . in [that] schedule of documents.” *Id.* at 143. Gaudier did state that he had not found an agreement assigning patent rights from Schlumberger back to Barstow, but if Schlumberger had never believed it had any rights in the patents in suit, no such document would be expected to exist.

⁶ This discovery would also have been relevant to the question of whether Barstow complied with his obligation under the employment agreement to provide Schlumberger with a complete record of his inventions. We need not decide how or whether Barstow’s breach of the agreement would in any way affect Schlumberger’s rights under the agreement if it had nonetheless been fully aware of the nature of Barstow’s work.

The question is whether the district court's refusal to grant that discovery was an abuse of discretion. In cases where the jurisdictional and merits issues are intertwined but separable, the Fifth Circuit has explained that "the district court must give the plaintiff an opportunity for discovery and for a hearing that is appropriate to the nature of the motion to dismiss." Williamson v. Tucker, 645 F.2d 404, 414 (5th Cir. 1981); see also McLain v. Real Estate Bd. of New Orleans, 583 F.2d 1315, 1323 n.9 (5th Cir. 1978) (explaining that "[t]he effective use of discovery is a crucial feature of this case," where "the issues necessarily determinative of jurisdiction can be isolated and explored through discovery"), vacated on other grounds, 444 U.S. 232 (1980).⁷

In general we give substantial deference to a district court's decisions on issues of discovery. However, under the circumstances of this case, given the central relevance of the information sought in discovery, it was an abuse of discretion for the district court to deny DDB jurisdictional discovery, including document and deposition requests. See, e.g., McAllister v. FDIC, 87 F.3d 762, 766 (5th Cir. 1996) (district court abused its discretion in denying discovery on jurisdictional issue); see also Commissariat à l'Energie Atomique, 395 F.3d at 1323-24 (same). On remand, the district court should allow DDB to conduct reasonable discovery relevant to the issue of whether the patents in suit fall within the scope of Barstow's employment agreement

Further discovery might also shed light on the significance of Barstow's statement in his November 1992 letter to his brother that "[i]t's curious how [the project] and my Schlumberger work go hand in hand." J.A. at 842.

⁷ Other circuits have said that when jurisdictional facts are in dispute, "a refusal to grant discovery constitutes an abuse of discretion if the denial results in prejudice to a litigant." Sizova, 282 F.3d at 1326; see also Filus v. Lot Polish Airlines, 907 F.2d 1328, 1332 (2d Cir. 1990); Mald-Pour v. Georgiana Cmty. Hosp., Inc., 724

with Schlumberger. We do not here attempt to specify exactly which discovery the district court should allow; the district court is in a far better position to make such determinations than are we. If such discovery in this case produces relevant and material evidence, a new hearing may be required with additional witness testimony.

Because we hold that further jurisdictional discovery was warranted, we do not reach the issue of whether the district court correctly held on the previous record that the patents in suit fell within the scope of Barstow's employment agreement with Schlumberger.

CONCLUSION

For the foregoing reasons, we affirm in part and vacate in part the district court's decision, and we remand for further proceedings in accordance with this opinion.

AFFIRMED IN PART, VACATED IN PART, AND REMANDED.

COSTS

No costs.

F.2d 901, 903 (11th Cir. 1984); Wells Fargo & Co. v. Wells Fargo Express Co., 556 F.2d 406, 430 n.24 (9th Cir. 1977).

United States Court of Appeals for the Federal Circuit

2007-1211

DDB TECHNOLOGIES, L.L.C.,

Plaintiff-Appellant,

v.

MLB ADVANCED MEDIA, L.P.,

Defendant-Appellee.

Appeal from the United States District Court for the Western District of Texas in case no. 04-CV-352, Judge Lee Yeakel.

NEWMAN, Circuit Judge, dissenting in part, concurring in part.

I do not object to the remand for additional discovery relevant to "the issue of whether the patents in suit fall within the scope of Barstow's employment agreement with Schlumberger." Maj. op. at 16. Although the testimony in the district court was undisputed that Schlumberger agreed that the Barstow inventions concerning computerized replays of sporting events were not within the scope of Barstow's employment obligations, it may be that further discovery will ameliorate the doubts that apparently concern my colleagues.

I write separately because several aspects of the majority opinion embody errors of law, substantive and procedural. Thus the panel majority rules prematurely that the issues of "the asserted statute of limitations and equitable defenses were not available and that no jury trial was required," maj. op. at 1, even as the case is remanded for discovery that is directly related to these issues. Other errors include the ruling that determination of Dr. Barstow's rights and obligations under his employment agreement is preempted by federal law because "standing" is involved, although disputes arising from employment

agreements are and have always been a matter of state law. In addition, the ruling against the jury role is gratuitous and premature, for there was no such ruling by the district court, and it is not yet known if the employment agreement issue may require trial. The court also errs in its ruling negating the procedures of the Federal Rules to join involuntary parties if those parties are necessary to the action. Further, the court improperly designates various merits issues as "jurisdictional." These complex areas require greater depth and clarity than are here dispensed. I elaborate briefly on some of the flaws in the majority view:

The Issues of Waiver, Estoppel, and Laches

It is not disputed that during Dr. Barstow's employment the responsible Schlumberger officials agreed that the inventions relating to the computerized recall and replay of sporting events were not within the scope of his employment agreement. In 2006, sixteen years after the first patent application was filed (in 1990), thirteen years after the first patent was issued (in 1993), and twelve years after Dr. Barstow left Schlumberger (in 1994), Schlumberger reportedly represented to the defendant MLB Advanced Media (MLBAM) that Schlumberger owns the Barstow inventions and the four patents thereon, including those filed after Dr. Barstow left Schlumberger. Schlumberger did not assert that the Barstow inventions were for use in the Schlumberger oil and gas well business, but asserted ownership of the sporting events media inventions for sale to MLBAM, a sporting events media purveyor. At the time the Barstow inventions originated and patent applications were filed, however, Schlumberger officials told Dr. Barstow, unequivocally, that these inventions were not within the scope of his employment obligations. These statements were the subject of testimony in the district court, by the persons responsible at Schlumberger.

Testifying at the hearing in the district court, Dr. Reid Smith, Vice President and Director of the Schlumberger Laboratory for Computer Science from 1989 to 1994, at which Dr. Barstow was employed, answered "No" to the question of whether he is "aware of anyone at Schlumberger ever stating a belief that Dr. Barstow's personal work belonged to Schlumberger," and "No" to whether he ever "suggest[ed] to Dr. Barstow that the personal work he was doing belonged to Schlumberger." Schlumberger's then patent counsel Charles Huston testified that Dr. Barstow "came to Reed [sic] and myself" regarding this invention and "Reed [sic] and I discussed it and we don't see how it applies to Schlumberger's business." (The quotations are from the transcript of the hearing.)

In apparent conflict with its recognition of this undisputed testimony, the panel majority states that "evidence that the parties during performance agreed that Barstow's work leading to the patents in suit was not covered by the agreement would be highly relevant, if not dispositive." Maj. op. at 13. And despite now ordering additional discovery on these issues, the panel majority prematurely rules that "DDB's statute of limitations, waiver, and estoppel defenses have no merit." Maj. op. at 10. These conflicting positions do not add clarity to the procedures ordered on remand, for the issues of waiver and estoppel and laches may well be informed by this same further discovery. The district court is not constrained from obtaining full exploration of these related issues, as well as determining, on the entirety of the evidence, the issues of employment obligations and ownership with respect to the inventions at issue.

Preemption of State law; the Jury Role

The panel majority acknowledges "state contract law", but announces that federal law preempts state law for employment contracts that include rights to patents, reasoning

that "[a]lthough state law governs the interpretation of contracts generally, the question of whether a patent assignment clause creates an automatic assignment or merely an obligation to assign is intimately bound up with the question of standing in patent cases" and therefore is "a matter of federal law". Maj. op. at 8. That is grievous overreaching, as well as contrary to law and precedent.

Interpretation of employment contracts, including clauses establishing employer-employee obligations with respect to inventions and patents, is a traditional state matter. This is a quite different issue from "standing in patent cases," supra. The rule that a plaintiff must own the property on which he sues in federal court does not preempt the laws governing property ownership. The adjudication of property rights that arise from an employment agreement is not preemptively removed from state law when the agreement concerns patent property.

State statutory and common law have long been recognized as governing the ownership of patent property. See, e.g., Jim Arnold Corp. v. Hydrotech Sys., Inc., 109 F.3d 1567, 1572 (Fed. Cir. 1997) ("[T]he question of who owns the patent right and on what terms typically is a question exclusively for state courts."); Roach v. Crouch, 524 N.W.2d 400, 403 (Iowa 1994) (question of patent ownership is properly triable in state court). There is no conflict between the creation of the patent as a creature of federal law, and ownership of patent property governed by state law. Federal preemption of state property law is not casually invoked. See, e.g., California v. ARC America, 490 U.S. 93, 100 (1989) (no preemption when compliance with both state and federal law is possible). Absent a specific act of Congress, there must be a conflict between federal and state law before the state is deprived of its authority. See Cipollone v. Liggett Group, 505 U.S. 504, 516 (1992)

("In the absence of an express congressional command, state law is pre-empted if that law actually conflicts with federal law."). No statutory preemption or federal/state conflict is here postulated. There is no authority for preempting state law, no authority for eliminating state law principles of property ownership, no authority for divesting state authority to determine rights and obligations set by employment contract, no authority for rejecting the extensive state precedent of law and procedure governing these issues.

State law governing employment contract interpretation is not excised when patents are involved. Employment contracts are generally governed by the law of the state of employment, in turn founded on the common law and state policy considerations embodied in statute. The complex balance between an employer's rights to control its proprietary information and safeguard its commercial interests, and an employee's rights to use his experience for purposes outside of the employer's interests, has traditionally been subject of state law, and when dispute arises, has been subject to trial to a jury. The experience, and precedent, of state courts is extensive on these questions. See, e.g., Anderson, Greenwood & Co. v. Martin, 44 S.W.3d 200, 220 (Tex. App. 2001) (jury trial of ownership of patent rights and contractual intent); Taborsky v. State, 659 So. 2d 1112, 1115 (Fla. App. 1995) (jury verdict on patent ownership and obligation to assign patent); Edwards v. Gramling Eng'g, 588 A.2d 793, 799 (Md. 1991) (jury trial of ownership of invention as between employer and employee); Mount Sinai Hosp. of Greater Miami, Inc. v. Cordis Corp., 329 So. 2d 380, 381 (Fla. App. 1976) (question of whether the hospital or the instrument manufacturer it hired was entitled to ownership of the patent was for the jury).

Ignoring precedent, in this case the factual issues of the employment contract and ownership of the Barstow inventions have been distorted into a question that the panel

majority calls "standing." and on this basis my colleagues affirm the district court's procedure of summary disposition--albeit without the constraints of the summary judgment rules. Neither state employment law, nor the jury role, can be eliminated by designating a disputed factual issue as related to "standing" and therefore "jurisdictional."

Joinder of Necessary Parties

As another flawed ruling, my colleagues state that if a necessary party refuses to join the case voluntarily, the plaintiff is out of court. That is inaccurate. A necessary party can be joined as a party plaintiff or a party defendant. See Fed. R. Civ. P. 19(a)(2) ("If a person has not been joined as required, the court must order that the person be made a party. A person who refuses to join as a plaintiff may be made either a defendant or, in a proper case, an involuntary plaintiff."). Rule 19 requires that a plaintiff have the opportunity to effect any necessary joinder when the issue is raised; my colleagues' prejudgment of this issue is unwarranted. The rule as applied to patent cases was early established, in a variety of factual situations. In Independent Wireless Telegraph Co. v. Radio Corporation of America, 269 U.S. 459, 468-469 (1926) the Court stated that "[i]f the owner of a patent, being within the jurisdiction, refuses or is unable to join an exclusive licensee as coplaintiff, the licensee may make him a party defendant by process," citing Littlefield v. Perry, 21 Wall. 205, 223 (1874) and extensive additional precedent. See, also, e.g., Brammer v. Jones, 4 F.Cas. 11 (C.C. Ohio 1867); Gamewell Telegraph Co. v. Brooklyn, 14 F. 255 (C.C.N.Y. 1882); Waterman v. Shipman, 55 F. 982, 986 (2nd Cir. 1893); Libbey Glass Co. v. McKee Glass Co., 216 F. 172 (D.C. Pa. 1914), aff'd, 220 F. 672 (3rd Cir. 1915); Hurd v. Goold, 203 F. 998 (2nd Cir. 1913).

The Federal Circuit has followed precedent and the Federal Rules, although I have noted strained application to specific facts. However, the general rule dominates, as reflected in, e.g., IpVenture, Inc. v. Prostar Computer, Inc., 503 F.3d 1324, 1325 (Fed. Cir. 2007) ("Thus all entities with an independent right to enforce the patent are indispensable or necessary parties to an infringement suit. When such an entity declines to join in the suit it may be joined involuntarily, either as a party plaintiff or party defendant; the purpose is to assure that all interested parties are before the court and that their interests are considered, as the Court explained in Shields v. Barrow, 58 U.S. (17 How.) 130, 141 (1854) . . ."); Intellectual Prop. Dev., Inc. v. TCI Cablevision of California, Inc., 248 F.3d 1333, 1347 (Fed. Cir. 2001) ("As a general rule, in accordance with *Independent Wireless*, this court adheres to the principle that a patent owner should be joined, either voluntarily or involuntarily, in any patent infringement suit brought by an exclusive licensee having fewer than all substantial patent rights."); McNeilab, Inc. v. Scandipharm, Inc., 95 F.3d 1164, 1996 WL 431352, *2 (Fed. Cir. 1996) ("The Federal Rules of Civil Procedure authorize joinder of a necessary party, either voluntarily or involuntarily, as the circumstances may warrant."); Abbott Laboratories v. Diamedix Corp., 47 F.3d 1128, 1133 (Fed. Cir. 1995) (patentee who does not voluntarily join can be joined as a defendant or involuntary plaintiff). In Israel Bio-Engineering Project v. Amgen, Inc., 475 F.3d 1256 (Fed. Cir. 2007), like Ethicon, Inc. v. United States Surgical Group, 135 F.3d 1456, 1468 n.9 (Fed. Cir. 1998), on which the panel majority relies, the court's rulings applied to the facts of the case, but did not hold that a necessary party can never be involuntarily joined or that a co-owner with adverse interests can always prevent the other owners from obtaining judicial relief.

The dicta of those cases cannot reverse the Federal Rules and binding precedent. As Independent Wireless concludes, permitting joinder of an unwilling but necessary party "would seem to be in accord with general equity practice." 269 U.S. at 469, citing Waldo v. Waldo, 17 N.W. 709 (Mich. 1883) and drawing analogy to the joinder of an unwilling trustee to protect the subject of the trust.

My colleagues summarily dispose of the case, ruling that neither Schlumberger, the self-appointed owner of the Barstow inventions, nor Schlumberger's customer who is the accused infringer MLBAM, can be reached by any process in any action. This ruling, along with the arbitrary inclusion of all four patents, whenever the inventions of those patents were made and all of which deal with baseball, not oil and gas drilling, cannot support this court's anticipatory rulings on the issues of waiver, estoppel, laches, standing, etc.

Jurisdiction

The panel majority calls its further discovery "jurisdictional discovery," in its relation to the ownership of the Barstow inventions and patents. It is hard to predict what may evolve from further discovery, which may adduce information about the conception and development of these inventions by Dr. Barstow and his brother, during and after Dr. Barstow's employment, as well as additional evidence concerning Schlumberger's contemporaneous negation of both interest and rights in these inventions. The circumstances surrounding the sale to MBLAM may also be informative. These are not matters of "jurisdiction," but of the merits of the ultimate questions.

The Court has commented on the trend to conflation of jurisdiction and merits. In Steel Co. v. Citizens for a Better Environment, 523 U.S. 83, 89 (1998) the Court explained: "It is firmly established in our cases that the absence of a valid (as opposed to arguable)

cause of action does not implicate subject-matter jurisdiction, *i.e.*, the court's statutory or constitutional *power* to adjudicate the case." (emphasis in original). The Court criticized what it called "drive-by jurisdictional rulings" where there is subject matter jurisdiction but an underlying fact is in dispute. *Id.* This criticism aptly fits the majority's designation of its remand as "jurisdictional discovery." As the Court explained in Arbaugh v. Y & H Corp., 546 U.S. 500 (2006): "A plaintiff properly invokes §1331 jurisdiction when she pleads a colorable claim 'arising under' the Constitution or laws of the United States." 546 U.S. at 513. In Arbaugh the Court referred to the "subject-matter jurisdiction/ingredient-of-claim-for-relief dichotomy" and observed that a dismissal for lack of jurisdiction "when some threshold fact has not been established" results in an "unrefined" disposition known as "drive-by jurisdiction." *Id.* at 511.

As in Arbaugh, the issues before us are not jurisdictional; they are of the merits. Indeed, the extensive authority throughout the regional circuits is footnoted in the majority opinion at n.3, but ignored, starting with the case of Autery v. United States, 424 F.3d 944, 956 (9th cir. 2005) (whether "jurisdictional issue and substantive claims are so intertwined that resolution of the jurisdictional question is dependent on factual issues going to the merits") (internal citation omitted).

Summary

I concur in the remand for further discovery, with the understanding that the information adduced will be available for consideration with respect to any issue that may be relevant, including issues of waiver, estoppel, laches, and any others that may evolve. I respectfully dissent from the various erroneous pronouncements of law, fact, and procedure with which this opinion is encumbered.

Exhibit I

Russell L. Johnson (SBN 053833)
Edward V. Anderson (SBN 083148)
Teague I. Donahey (SBN 197531)
Kevin P. Burke (SBN 241972)
Patrick M. Lonergan (SBN 245807)
Sidley Austin LLP
555 California Street
San Francisco, California 94104
Telephone: (415) 772-1200
Facsimile: (415) 772-7400

Attorneys For Plaintiff
STMicroelectronics, Inc.

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SANTA CLARA

STMICROELECTRONICS, INC., a corporation

Plaintiff,

v.

ELIYAHOU HARARI, an individual;
SAN DISK CORPORATION, a corporation;
and DOES 1 through 20, inclusive,

Defendants.

Case No. 1-07-CV-080123

**PLAINTIFF STMICROELECTRONICS,
INC.'S FIRST SUPPLEMENTAL
RESPONSES TO DEFENDANT SANDISK'S
FIRST SET OF FORM
INTERROGATORIES – LIMITED CIVIL
CASES (ECONOMIC LITIGATION)**

PROPOUNDING PARTY: Defendant SanDisk Corporation

RESPONDING PARTY: Plaintiff STMicroelectronics, Inc.

SET NO: One

Pursuant to section 2031.210 *et seq.* of the California Code of Civil Procedure, Plaintiff STMicroelectronics, Inc's ("ST") responds as follows to defendant SanDisk Corporation's ("SanDisk") First Set of Form Interrogatories - Limited Civil Cases (Economic Litigation) ("Interrogatories"), dated December 14, 2007.

The following responses are based upon ST's present state of recollection, knowledge and belief. They are at all times subject to additional or different information that discovery may disclose, and while based on the present state of recollection, are subject to such refreshing recollection, and such knowledge of facts, as may result from further investigation by ST or its attorneys.

ST's responses and objections are made without in any way waiving or intending to waive, but on the contrary, intending to preserve and preserving:

1. All questions as to competency, relevancy, materiality, privilege, and admissibility as evidence for any purpose of the responses or subject matter thereof, in any subsequent proceeding in or at the trial of this or any other action, and the production of documents pursuant to these requests is, similarly, not to be deemed an admission as to the competency, relevancy, materiality, privilege, or admissibility as evidence for any purpose in the above-entitled case;

2. The right to object on any ground to the use of said responses, or the subject matter thereof, in any subsequent proceeding in the trial of this or any other action; and

3. The right to object on any ground at any time to other interrogatories, requests for production, or other discovery procedures involving or relating to the subject matter of these requests.

GENERAL OBJECTIONS

1. ST objects to the Interrogatories to the extent any such interrogatory calls for the disclosure of information protected by the attorney-client privilege, work product doctrine, or any other applicable privilege. Any response should be understood to exclude such privileged information.

2. All of the responses set forth below are based solely on such information and documents that are available to and specifically known to ST at this time. It is anticipated that

1 further discovery, independent investigation, and analysis may lead to substantial additions to,
2 changes in, and variations from the responses set forth herein.

3 3. ST objects to the Interrogatories to the extent that they seek information that is
4 confidential or proprietary to, and/or a trade secret of, a third party. Unless ordered by the Court to
5 do so, ST will not divulge such information to the extent that it is under any obligation to maintain
6 the third party information in confidence and not to disclose it, unless the third party grants
7 permission to do so.

8 4. ST objects to the Interrogatories to the extent that they call for information not
9 reasonably available to, or not within the possession, custody, or control of ST or information that is
10 equally available to SanDisk.

11 5. ST objects to the definition of "INCIDENT" on the grounds that it is unduly
12 burdensome and oppressive, overbroad and seeks information not reasonably available to ST. ST
13 further objects to the definition of "INCIDENT" as vague and ambiguous.

14 6. ST objects to the Interrogatories as unduly burdensome and harassing because they
15 are duplicative, and in fact, almost identical to SanDisk Corporation's First Set of Form
16 Interrogatories which were served at the same time.

17 **RESPONSE TO FORM INTERROGATORIES**

18 **FORM INTERROGATORY NO. 101.1:**

19 State the name, ADDRESS, telephone number, and relationship to you of each PERSON
20 who prepared or assisted in the preparation of the responses to these interrogatories. (Do not
21 identify anyone who simply typed or reproduced the responses.)

22 **RESPONSE TO FORM INTERROGATORY NO. 101.1:**

23 ST incorporates by reference its general objections, set forth above, and makes the following
24 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
25 calls for the disclosure of information protected by the attorney-client privilege, work product
26 doctrine, or any other applicable privilege. ST further objects to the phrases "relationship to you"
27 and "prepared or assisted in the preparation of" as vague and ambiguous as used in this
28 interrogatory. Finally, ST objects to this interrogatory in that it is not reasonably calculated to lead

1 to the discovery of admissible evidence, and seeks information not relevant to the claims or defenses
2 of any party.

3 Subject to, and without waiving its general and specific objections, ST responds as follows:
4 Counsel for ST assisted in the preparation of the responses.

5 **FORM INTERROGATORY NO. 103.1:**

6 State your current business name and ADDRESS, type of business entity, and your title.

7 **RESPONSE TO FORM INTERROGATORY NO. 103.1:**

8 ST incorporates by reference its general objections, set forth above, and makes the following
9 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
10 seeks information that is publicly available, and thus equally available to SanDisk. ST further
11 objects to the phrase “your title” as vague and ambiguous as used in this interrogatory. ST further
12 objects to this interrogatory as harassing because it is duplicative of at least Form Interrogatory 3.1
13 served by SanDisk on December 14, 2007.

14 Subject to, and without waiving its general and specific objections, ST responds as follows:
15 STMicroelectronics, Inc. is a corporation located at 1310 Electronics Dr., Carrollton, TX 75006.

16 **FORM INTERROGATORY NO. 104.1:**

17 State the name and ADDRESS of each insurance company and the policy number and policy
18 limits of each policy that may cover you, in whole or in part, for the damages related to the
19 INCIDENT.

20 **RESPONSE TO FORM INTERROGATORY NO. 104.1:**

21 ST incorporates by reference its general objections, set forth above, and makes the following
22 additional objections to this interrogatory. ST objects to the term “INCIDENT” as used in this
23 interrogatory as vague and ambiguous. ST further objects to this interrogatory on the grounds that it
24 is not reasonably calculated to lead to the discovery of admissible evidence and seeks information
25 not relevant to the claims or defenses of any party. ST further objects to this interrogatory as
26 harassing because it is duplicative of at least Form Interrogatory 4.1 served by SanDisk on
27 December 14, 2007.

28 Subject to, and without waiving its general and specific objections, ST responds as follows:

1 ST incorporates by reference its response to Form Interrogatory 4.1 served by SanDisk in this action
2 on December 14, 2007.

3 **FORM INTERROGATORY NO. 109.1:**

4 Describe each other item of damage or cost that you attribute to the INCIDENT, stating the
5 dates of occurrence and the amount.

6 **RESPONSE TO FORM INTERROGATORY NO. 109.1:**

7 ST incorporates by reference its general objections, set forth above, and makes the following
8 additional objections to this interrogatory. ST objects to the term "INCIDENT" as used in this
9 interrogatory as vague and ambiguous. ST further objects to the phrase "each other item of damage
10 or cost" as vague and ambiguous as used in this interrogatory. Finally, ST objects to this
11 interrogatory on the grounds that the interrogatory is premature given that expert reports have not
12 been served and expert discovery has not yet commenced. Expert discovery will be exchanged by
13 the parties in accordance with the schedule set by the Court. ST further objects to this interrogatory
14 as harassing because it is duplicative of at least Form Interrogatory 9.1 served by SanDisk on
15 December 14, 2007.

16 Subject to, and without waiving its general and specific objections, ST responds as follows:
17 ST incorporates by reference its response to Form Interrogatory 9.1 served by SanDisk in this action
18 on December 14, 2007.

19 **FORM INTERROGATORY NO. 112.1:**

20 State the name, ADDRESS, and telephone number of each individual who has knowledge of
21 facts relating to the INCIDENT, and specify his or her area of knowledge.

22 **RESPONSE TO FORM INTERROGATORY NO. 112.1:**

23 ST incorporates by reference its general objections, set forth above, and makes the following
24 additional objections to this interrogatory. ST objects to the term "INCIDENT" as used in this
25 interrogatory as vague and ambiguous. ST further objects to the phrase "relating to the INCIDENT"
26 as vague and ambiguous as used in this interrogatory. Finally, ST objects to this interrogatory as
27 incomprehensible in the context of this litigation, especially with respect to the fact that it is clearly
28 drafted to discover facts related to a claim in which there is an INCIDENT that is capable of being

1 witnessed and a scene of the INCIDENT. ST further objects to this interrogatory as harassing
2 because it is duplicative of at least Form Interrogatory 12.1 served by SanDisk on December 14,
3 2007.

4 Subject to, and without waiving its general and specific objections, ST responds as follows:
5 ST incorporates by reference its response to Form Interrogatory 12.1 served by SanDisk in this
6 action on December 14, 2007.

7 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 112.1:**

8 Subject to, and without waiving, its general and specific objections, ST responds as follows:
9 ST incorporates by reference its first supplemental response to Form Interrogatory 12.1 served on
10 April 4, 2008.

11 **FORM INTERROGATORY NO. 112.2:**

12 State the name, ADDRESS, and telephone number of each individual who gave a written or
13 recorded statement relating to the INCIDENT and the date of the statement.

14 **RESPONSE TO FORM INTERROGATORY NO. 112.2:**

15 ST incorporates by reference its general objections, set forth above, and makes the following
16 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
17 calls for the disclosure of information protected by the attorney-client privilege, work product
18 doctrine, or any other applicable privilege. ST also objects to the term "INCIDENT" as used in this
19 interrogatory as vague and ambiguous. ST further objects to the phrase "written or recorded
20 statement relating to the INCIDENT" as vague and ambiguous as used in this interrogatory. ST
21 further objects to this interrogatory as harassing because it is duplicative of at least Form
22 Interrogatory 12.3 served by SanDisk on December 14, 2007.

23 Subject to, and without waiving its general and specific objections, ST responds as follows:
24 ST incorporates by reference its response to Form Interrogatory 12.3 served by SanDisk in this
25 action on December 14, 2007.

26 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 112.2:**

27 Subject to, and without waiving, its general and specific objections, ST responds as follows:
28 ST incorporates by reference its first supplemental response to Form Interrogatory 12.3 served on

1 April 4, 2008.

2 **FORM INTERROGATORY NO. 112.3:**

3 State the name, ADDRESS, and telephone number of each PERSON who has the original or
4 a copy of a written or recorded statement relating to the INCIDENT.

5 **RESPONSE TO FORM INTERROGATORY NO. 112.3:**

6 ST incorporates by reference its general objections, set forth above, and makes the following
7 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
8 calls for the disclosure of information protected by the attorney-client privilege, work product
9 doctrine, or any other applicable privilege. ST also objects to the term "INCIDENT" as used in this
10 interrogatory as vague and ambiguous. ST further objects to the phrase "written or recorded
11 statement relating to the INCIDENT" as vague and ambiguous as used in this interrogatory. ST
12 further objects to this interrogatory as harassing because it is duplicative of at least Form
13 Interrogatory 12.3 served by SanDisk on December 14, 2007.

14 Subject to, and without waiving its general and specific objections, ST responds as follows:
15 ST incorporates by reference its response to Form Interrogatory 12.3 served by SanDisk in this
16 action on December 14, 2007.

17 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 112.3:**

18 Subject to, and without waiving, its general and specific objections, ST responds as follows:
19 ST incorporates by reference its first supplemental response to Form Interrogatory 12.3 served on
20 April 4, 2008.

21 **FORM INTERROGATORY NO. 112.4:**

22 Identify each document or photograph that describes or depicts any place, object, or
23 individual concerning the INCIDENT or plaintiff's injuries, or attach a copy. (If you do not attach a
24 copy, state the name, ADDRESS, and telephone number of each PERSON who had the original
25 document or photograph or a copy.).

26 **RESPONSE TO FORM INTERROGATORY NO. 112.4:**

27 ST incorporates by reference its general objections, set forth above, and makes the following
28 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it

1 calls for the disclosure of information protected by the attorney-client privilege, work product
 2 doctrine, or any other applicable privilege. ST also objects to the term “INCIDENT” as used in this
 3 interrogatory as vague and ambiguous. ST further objects to the phrases “place, object, or individual
 4 concerning the INCIDENT or plaintiff’s injuries” and “plaintiffs injuries” as vague and ambiguous
 5 as used in this interrogatory. ST further objects to this interrogatory as harassing because it is
 6 duplicative of at least Form Interrogatory 12.4 served by SanDisk on December 14, 2007.

7 Subject to, and without waiving its general and specific objections, ST responds as follows:
 8 ST incorporates by reference its response to Form Interrogatory 12.4 served by SanDisk in this
 9 action on December 14, 2007.

10 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 112.4:**

11 Subject to, and without waiving, its general and specific objections, ST responds as follows:
 12 ST identifies the following documents: SD-545-068177; SD-545-068195; SD-545-068197; SD-545-
 13 068206; SD-545-068206; SD-545-068207; SD-545-068208-09; SD-545-068209; SD-545-068218;
 14 SD-545-068223-26; SD-545-068231; SD-545-068243-44; SD-545-068250; SD-545-068252-55; SD-
 15 545-068256-58; SD-545-068265; SD-545-068278; SD-545-068283; SD-545-068290; SD-545-
 16 068323; SD-545-068347; SD-545-068376-77; SD-545-068381; SD-545-068450; SD-545-068456-
 17 58; SD-545-068503-04; SD-545-068506-07; SD-545-068538; SD-545-068672-73; SD-545-068677;
 18 SD-545-068678-81; SD-545-068682-84; SD-545-069997; SD-545-070772; SD-545-070836; SD-
 19 545-070902; SD-545-070905; SD-545-088778-81; SD-545-088824; SD-545-088852-53; SD-545-
 20 091556; SD-545-098294-96; SD-545-098297-301; SD-545-099807; SD-545-102833; SD-545-
 21 102843; SD-545-102852; SD-545-102855; SD-545-102861; SD-545-102867; SD-545-109247; SD-
 22 545-109252-54; SD-545-109391; SD-545-109993-96; SD-545-110177; SD-545-185608-616; SD-
 23 545-185680; SD-545-185704; SD-545-185706-10; STMH000758-68; STMH000769-80;
 24 STMH000784; STMH000787-89; STMH000790-91; STMH000792; STMH000793-96;
 25 STMH000884-85; STMH000886-96; STMH000897-98; STMH000921-31; STMH001006-08;
 26 STMH001009-12; STMH001013; STMH001014-19; STMH001020; STMH001021; STMH001022-
 27 24; STMH001076; STMH001246; STMH001277-81; STMH001282-322; STMH001323-27;
 28 STMH001329-36; STMH001329-36; STMH001329-36; STMH001329-36; STMH001330;

1 STMH001330-31; STMH001330-31; STMH001343-45; STMH001377-81; STMH001396-99;
 2 STMH001401-08; STMH001409-27; STMH001438-54; STMH001463-65; STMH001466-71;
 3 STMH001472; STMH001474-83; STMH001487-530; STMH001754-823; STMH001835-40;
 4 STMH001841-44; STMH001845-48; STMH001849-54; STMH001855-61; STMH001864-82;
 5 STMH001883-84; STMH001885-91; STMH001907-13; STMH001914; STMH001915-66;
 6 STMH001989-92; STMH001993-94; STMH001996-97; STMH001998-2003; STMH002004-05;
 7 STMH002007-09; STMH002010; STMH002011; STMH002016-19; STMH002020-27;
 8 STMH002083-110; STMH002116-18; STMH002148-55; STMH002157-58; STMH002159-60;
 9 STMH002161-67; STMH002186-91; STMH002198-02; STMH002206-08; STMH002209-12;
 10 STMH002213-17; STMH002218-28; STMH002268-71; STMH002276-79; STMH002286-91;
 11 STMH002304-11; STMH002322-25; STMH002332-46; STMH002374-75; STMH002376-91;
 12 STMH002392-93; STMH002398-402; STMH002405-28; STMH002434-40; STMH002443-46;
 13 STMH002447-57; STMH002459-60; STMH002464-67; STMH002475-80; STMH002481-82;
 14 STMH002484-93; STMH002506-09; STMH002511-14; STMH002514; STMH002518-21;
 15 STMH002522-23; STMH002525-26; STMH002530; STMH002531-33; STMH002535;
 16 STMH003087-196; STMH003197-313; STMH004040-42; STMH004043-53; STMH004084-110;
 17 STMH004120-127; STMH004473-557. Discovery is ongoing and ST will supplement its response
 18 if it discovers other information relevant to this response.

19 **FORM INTERROGATORY NO. 112.5:**

20 Identify each other item of physical evidence that shows how the INCIDENT occurred or the
 21 nature or extent of plaintiff's injuries, and state the location of each item, and the name, ADDRESS,
 22 and telephone number of each PERSON who has it.

23 **RESPONSE TO FORM INTERROGATORY NO. 112.5:**

24 ST incorporates by reference its general objections, set forth above, and makes the following
 25 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
 26 calls for the disclosure of information protected by the attorney-client privilege, work product
 27 doctrine, or any other applicable privilege. ST also objects to the term "INCIDENT" as used in this
 28 interrogatory as vague and ambiguous. ST further objects to the phrases "other item of physical

evidence,” “shows how the INCIDENT occurred,” and “nature or extent of plaintiff’s injuries” as vague and ambiguous as used in this interrogatory. ST further objects to this interrogatory as harassing because it is duplicative of at least Form Interrogatory 12.5 served by SanDisk on December 14, 2007.

Subject to, and without waiving its general and specific objections, ST responds as follows: ST incorporates by reference its response to Form Interrogatory 12.5 served by SanDisk in this action on December 14, 2007.

FORM INTERROGATORY NO. 114.1:

If you contend that any PERSON involved In the INCIDENT violated any statute, ordinance, or regulation and that the violation was a cause of the INCIDENT, identify each PERSON and the statute, ordinance, or regulation.

RESPONSE TO FORM INTERROGATORY NO. 114.1:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST also objects to the term “INCIDENT” as used in this interrogatory as vague and ambiguous. ST further objects to the phrase “that the violation was a cause of the INCIDENT” as vague and ambiguous as used in this interrogatory. ST further objects to this interrogatory as harassing because it is duplicative of at least Form Interrogatory 14.1 served by SanDisk on December 14, 2007.

Subject to, and without waiving its general and specific objections, ST responds as follows: ST incorporates by reference its response to Form Interrogatory 14.1 served by SanDisk in this action on December 14, 2007.

FORM INTERROGATORY NO. 115.1:

State in detail the facts upon which you base your claims that the PERSON asking this interrogatory is responsible for your damages.

RESPONSE TO FORM INTERROGATORY NO. 115.1:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST also objects to the term “damages” as used in this interrogatory as vague and ambiguous.

Subject to, and without waiving its general and specific objections, ST responds as follows:

To date, SanDisk and Harari have refused to substantively respond to any of the discovery requests ST has served in this action. Because of SanDisk and Harari's refusal to substantively respond to ST's discovery requests, the facts upon which ST bases its claims that Sandisk is responsible for ST's damages are described in ST's October 14, 2005 Complaint as follows:

FACTS COMMON TO ALL COUNTS

ST Acquired Wafer Scale Integration And Is The Successor In Interest To All Of Its Legal Rights

5. The claims for relief at issue in this case had their genesis in Harari's breach of his fiduciary and other legal obligations while an employee, officer, consultant and/or director of Wafer Scale Integration, Inc. ("WSI"). ST is the successor to all WSI's legal rights, including the present claims against Harari and SanDisk.

6. WSI was a California corporation with its principal place of business in Fremont, California. It was co-founded in 1983 by Harari. WSI designed and sold programmable system devices, including memory systems and nonvolatile memories. While Harari was an officer and/or a director of WSI, it was designing and developing flash memory products.

7. On July 27, 2000, ST and WSI merged, with ST remaining as the surviving corporation. Pursuant to the Agreement and Plan of Merger between ST and WSI, ST succeeded to "all rights and property" of WSI.

8. As a result of the 2000 merger, WSI is no longer a separate legal entity from ST.

Harari Was An Officer And/Or Director Of WSI From Its Founding In 1983 Until His Resignation In 1989

9. Harari was a co-founder of WSI, and served numerous roles at WSI between its founding on August 1, 1983 and his resignation in March of 1989, including:

- Chief Executive Officer (CEO): August 1, 1983 until June 11, 1986;
- Chief Technology Officer (CTO): June 11, 1986 until February 28, 1988;
- Director: August 1, 1983 through March 15, 1989; and
- Chairman of the Board: November 30, 1983 until June 15, 1985, and again from June 11, 1986 until February 28, 1988.

10. On information and belief, during at least a part of this time

WSI was located, and Harari worked, in Fremont, California.

Harari's Obligation to Assign Inventions to WSI

11. Early in the period that Harari was an employee, officer and director of WSI, he signed two agreements with the company: (1) an Employee Agreement Regarding Confidentiality and Inventions dated February 22, 1984 (the "Inventions Agreement") (attached hereto as Exhibit A); and (2) a Key Employee Agreement dated February 27, 1984 (the "Key Employee Agreement") (attached hereto as Exhibit B).

12. Through the Inventions Agreement, Harari agreed to the following:

2. I will maintain in confidence and will not disclose or use, either during or after the term of my employment without the prior written consent of [WSI], any proprietary or confidential information or know-how belonging to [WSI] Upon termination of my employment or at the request of my supervisor before termination, I will deliver to [WSI] all writtern and tangible material in my possession incorporating the Proprietary Information or otherwise relating to [WSI's] business. ...

3. I will promptly disclose and describe to [WSI] (i) all inventions, improvements, discoveries and technical developments ("Inventions"), whether or not patentable, made or conceived by me, either alone or with others, during the term of my employment, provided that [WSI] shall receive such information in confidence. I hereby assign and agree to assign to [WSI] my entire right, title and interest in and to such Inventions which relate in any way to or are useful in [WSI's] business as presently conducted or as conducted at any future time during my employment, and agree to cooperate with WSI and its designee(s) both during and after my employment in the procurement and maintenance, at [WSI's] expense and at its discretion, of patents, copyrights, and/or other protection of [WSI's] rights in such inventions. I will keep and maintain adequate and current written records of all such Inventions, which shall be and remain the property of the [WSI].

4.

(c) During my employment by [WSI], I will not engage in any employment, consulting or other activity in any business without [WSI's] express written agreement.

WSI's Development of Flash Electrically Erasable Programmable Read Only Memory

13. WSI, a company which designed and produced various kinds of semiconductor memory (memory on a chip) for computers and electronic devices, dedicated substantial resources and effort to

research and development of new memory technologies.

14. Semiconductor memory can be either volatile or nonvolatile. Volatile memory requires a power source to maintain data in memory while nonvolatile memory requires no power to retain data.

15. The main memory in computers has traditionally been dynamic random access memory ("DRAM") or static random access memory ("SRAM") both of which are volatile memories. Thus, if the computer is turned off, any data stored in a DRAM or SRAM will be lost.

16. Computers have also used nonvolatile memories such as read only memory ("ROM") and programmable read only memory (PROM) and electrically programmable read-only memory (EPROM). In the late 1980s, when Harari was still an employee, officer and director of WSI, a new nonvolatile memory technology called electrically erasable programmable read only memory (EEPROM or E2PROM) was developed which offered a substantial advantage over ROM, PROM or EPROM because it was electrically reprogrammable. When an EEPROM is quickly erasable and reprogrammable it is referred to as "flash EEPROM," or "flash memory." If the computer is turned off, data in these memories is not lost.

17. WSI, while Harari was its chief technical officer, began development work on flash memory. By at least 1987, WSI was involved in research and development efforts regarding flash memory technology. By 1989, WSI had a prototype flash memory product, and was anticipating revenues from this line of business. As an employee, CTO and/or director of WSI, Harari was aware of WSI's research and development efforts with regard to flash memory.

18. As a director and officer of WSI, Harari was in a position of trust and confidence and had fiduciary obligations, including at least the following: (a) to act in good faith and in the best interests of WSI and its shareholders; (b) to put the interests of WSI and its shareholders ahead of his private interests; (c) to not enter into any business in competition with WSI; (d) to bring business opportunities in the line of business of WSI to the attention of WSI and not to appropriate the opportunity for himself; (e) to protect and preserve the assets of WSI; and (f) to disclose material facts to WSI concerning his business dealings in the same field as WSI's business endeavors.

**Harari Filed Four Patent Applications While A Director
Of and Consultant to WSI, But Did Not Assign Them To
WSI**

19. WSI, in order to protect its intellectual property, routinely applied for United States patents to cover inventions developed in the course of its business. As an employee, officer, and director of WSI, Harari had fiduciary and contractual obligations to assist WSI with the protection of its intellectual property, and to assign inventions which

1 related to WSI's business to WSI.

2 20. Harari and WSI entered into an Agreement dated February 29,
3 1988 (the "Consulting and Directorship Agreement") (attached hereto
4 as Exhibit C). In this agreement Harari resigned his duties as an
5 employee and officer of WSI effective February 28, 1988.

6 21. In the Consulting and Directorship Agreement WSI and Harari
7 also agreed that: (a) WSI would continue to nominate Harari as a
8 director until an IPO took place; (b) Harari would be a paid consultant
9 to WSI for 11 months at his then current salary; (c) WSI had the right
10 to extend the consulting agreement for a period of six months; and (d)
11 Harari would "continue to be bound by and comply with the terms of
12 his Employee Agreement Regarding Confidentiality and Inventions
13 dated February 22, 1984" – the Inventions Agreement. The
14 obligations in the Inventions Agreement as extended by the Consulting
15 and Directorship Agreement included, among other things, three
16 important obligations. First, to maintain in confidence and not to use
17 or disclose any proprietary, confidential or know-how of WSI without
18 the company's prior written consent. Second, to assign "all inventions,
19 improvements, discoveries and technical developments ("Inventions"),
20 whether or not patentable." And, third, Harari's agreement that he
21 would "not engage in any employment, consulting or other activity in
22 any business without the Company's express written agreement."

23 22. On information and belief, the Consulting and Directorship
24 Agreement was entered into, and at least some of the obligations of
25 both WSI and Harari were to be performed, in Fremont, California.

26 23. Furthermore, as a director of WSI, Harari continued in a
27 position of trust and confidence and had all of the same fiduciary
28 obligations he previously had when he was an officer and director.
See, supra, ¶ 18.

24 24. On April 26, 1988, less than two months after resigning as an
25 officer of WSI, but while still serving as a director of and consultant to
26 WSI with a continuing obligation to assign inventions to WSI, Harari
27 filed Patent Application 07/185,699 with the United States Patent and
28 Trademark Office ("PTO"), which resulted in U.S. Patent 4,933,739,
entitled "Trench resistor structures for compact semiconductor
memory and logic devices." This patent relates to memory devices
that were within WSI's line of business.

25 25. On June 8, 1988, while still serving as a director of and
26 consultant to WSI with a continuing obligation to assign inventions to
27 WSI, Harari filed Patent Application 07/204,175 with the PTO, which
28 resulted in twenty-two issued patents. This application related to flash
memory products that were within WSI's line of business.

26 26. On July 8, 1988, while still serving as a director of and
27 consultant to WSI with a continuing obligation to assign inventions to
28 WSI, Harari filed Patent Application 07/216,873 with the PTO, which

1 resulted in three issued patents. This application related to memory
2 products that were within WSI's line of business.

3 27. On March 15, 1989, Harari filed Patent Application 07/323,779
4 with the PTO, which resulted in U.S. Patent 5,070,032, entitled
5 "Method of making dense flash EEPROM semiconductor memory
6 structures." This patent relates to flash memory devices that were
7 within WSI's line of business.

8 28. On March 21, 1989, Harari tendered his resignation from the
9 Board of Directors of WSI, requesting that his resignation date be back
10 dated to March 15, 1989 – the same day he had filed his most recent
11 patent application. Harari made this request without disclosing to the
12 Board that he had filed any of the above-referenced patent
13 applications.

14 **Harari Filed Two Patent Applications Three Weeks**
15 **After Tendering His Resignation As A Director Of WSI**

16 29. In addition to the four applications Harari filed while still a
17 director of WSI, Harari filed two more patent applications three weeks
18 after tendering his resignation as a director of WSI, but before the
19 Board of Directors accepted his resignation. On information and
20 belief, ST alleges that the inventions disclosed in these applications
21 were invented and developed while Harari was an officer and/or
22 director and/or a consultant of WSI.

23 30. Specifically, on April 13, 1989, Harari filed two Patent
24 Applications with the PTO – numbered 07/337,566 and 07/337,579.
25 These applications related to flash EEPROM memories which were
26 then under development at WSI. Patent Application 07/337,566 has
27 resulted in the issuance of twenty-one patents and Patent Application
28 07/337,579 has resulted in the issuance of two patents.

31. On May 17, 1989, the Board of Directors of WSI met and
accepted Harari's resignation effective after the Board meeting of
March 15, 1989. The Board agreed to Harari's request to back date his
resignation without knowing that Harari had filed patent applications
on April 26, 1988, June 8, 1988, July 8, 1988, March 15, 1989, and
April 13, 1989.

32 **While An Employee, Officer and/or Director Of WSI,**
33 **Harari Only Disclosed and Assigned One Patent**
34 **Application to WSI**

35 32. On information and belief, Harari did not disclose any of the
36 following six patent applications to WSI at any time: (a) 07/185,699;
37 (b) 07/204,175; (c) 07/216,873; (d) 07/323,779; (e) 07/337,566; or (f)
38 07/337,579. WSI had no way of knowing of Harari's conduct, as
patent applications filed with the PTO are confidential and Harari did

1 not disclose this information to WSI.

2 33. On information and belief, the ideas disclosed in these patent
3 applications were known to or conceived by Harari while he was as a
4 director and/or consultant of WSI, and the evidence at trial may prove
5 that he had or conceived of these ideas during his tenure as an
6 employee and officer as well. Moreover, on information and belief,
7 ST believes that Harari actively worked on the preparation of all these
8 patent applications during his tenure as a director and/or consultant to
9 WSI, and that Harari concealed this activity from WSI.

10 34. These six patent applications all contain ideas and designs that
11 would have benefited the design and development work being done at
12 WSI on flash memory.

13 35. In contrast to the six patent applications Harari filed in his own
14 name without disclosing them to WSI, Harari disclosed only one
15 patent application to WSI during his entire five-and-a-half year tenure
16 as an employee, officer, director and/or consultant. Harari was forced
17 to disclose that patent application because there was a co-inventor on
18 the application who would fulfill his obligations to make the
19 disclosure. In other words, Mr. Harari concealed from WSI every
20 patent application he was able to conceal because he was either listed
21 as the sole inventor or a co-inventor with a non-WSI employee.

22 36. Harari's assignment of only a single application to WSI is
23 particularly noteworthy in light of the significant number of
24 applications he has filed during his career. Over a period of twenty-
25 eight years, Harari has filed one hundred and thirty-one patent
26 applications – an average of almost five applications per year.
27 However, Harari disclosed only one patent application to WSI during
28 his entire five-and-one-half-year tenure as an employee, officer,
director and/or consultant of that company. In fact, from 1975 until
1983, Harari filed at least one patent application each year.

37. However, in 1984, 1985, 1986, and 1987, all years during
which Harari served as an employee, officer and/or director of WSI,
Harari did not file a single patent application.

38. In the years following his departure from WSI, from 1989 until
2002, Harari filed at least four patent applications each year. Indeed,
within the first five months after Harari resigned his position as CTO
of WSI, while still a director and consultant to WSI with an obligation
to assign inventions, Harari filed three different applications with the
PTO – none of which were disclosed or assigned to WSI. Each of
these patent applications likely would have been in process for months
before filing with the PTO.

39. Perhaps most tellingly, Harari filed an application on March
15, 1989, a date which he later requested be set as his effective date of
resignation from the board of directors of WSI. Harari's attempt to
back-date his resignation to coincide with the filing of this application

1 is clear evidence of his intent to conceal his patent-filing activities
 2 from WSI, and to obtain for himself patent rights that he knew should
 3 have been assigned to WSI.

4 **Harari Founded SanDisk, A Competitor Of WSI, While**
 5 **Serving As A Director Of WSI**

6 40. In or about June 1988, Harari founded SanDisk Corporation.
 7 (SanDisk was originally named "SunDisk," but changed its name in
 8 1995 prior to its initial public offering. For clarity, this Complaint will
 9 consistently refer to the corporation as "SanDisk.")

10 41. Harari founded SanDisk while serving as a Director of WSI,
 11 and therefore was under a fiduciary obligation not to enter into any
 12 business in competition with WSI. Moreover, Harari had a fiduciary
 13 obligation to present corporate opportunities in WSI's line of business
 14 to WSI, and not to appropriate such opportunities to himself or another
 15 company.

16 42. On information and belief, SanDisk, since its inception, has
 17 focused its research and development efforts on developing cost-
 18 effective flash memory storage products – a technology which WSI
 19 had been developing since at least 1987, and was continuing to
 20 develop at the time SanDisk was formed by Harari.

21 43. Moreover, at the time Harari founded SanDisk, he was well
 22 aware of WSI's research into flash memory technology. Harari served
 23 as CTO of WSI, and thus headed WSI's research efforts on flash
 24 memory until February of 1988. As a Director of WSI, Harari
 25 received reports regarding WSI's flash memory work until at least
 26 January of 1989, several months after he founded SanDisk and filed
 27 four of the patent applications whose ownership is at issue in this suit.

28 44. On information and belief, from its inception and founding by
 Harari, SanDisk was in direct competition with WSI. As an officer
 and/or director of WSI, Harari had an obligation to present any
 corporate opportunity appropriate for WSI to it. Harari's involvement
 with SanDisk was a serious violation of Harari's fiduciary duties to
 WSI.

45. Furthermore, Harari assigned the patents which resulted from
 the above-described applications to SanDisk, thereby benefiting a
 company in direct competition with WSI, to whom he owed fiduciary
 duties of loyalty and good faith. As alleged in more detail below,
 those assignments have recently resulted in injury to ST who is the
 successor-in-interest to WSI.

SanDisk Sued ST, The Successor Of WSI, For
Infringement Of Patents Which Should Have Been
Assigned to WSI

46. On October 15, 2004, SanDisk filed two complaints alleging

that ST infringed U.S. Patent 5,172,338 (“the ‘338 patent”). One complaint styled *In the Matter of Certain NAND Flash Memory Circuits and Products Containing Same*, Investigation No. 337-TA-526 was filed in the United States International Trade Commission (the “ITC action”) and the other styled *SanDisk Corp. v. STMicroelectronics, Inc.*, case number C04-04379 JF, was filed in the Northern District of California (the “Northern District action”). The International Trade Commission initiated an investigation in the ITC action and a hearing before the Administrative Law Judge (“ALJ”) has occurred and the initial determination of the ALJ is due in October 2005. In the Northern District action, the claims of infringement of the ‘338 patent have been stayed pending completion of the ITC action.

47. The ‘338 patent resulted from the continuation-in-part of an application filed by Harari less than one month after he resigned as a director of WSI. On information and belief, any invention disclosed in the ‘338 patent was conceived of or made, and the application was being prepared, while Harari was still a director of WSI.

48. On April 22, 2005, SanDisk filed its answer, affirmative defenses and counterclaims in an action styled *STMicroelectronics, Inc. v. SanDisk Corp.*, case number 4:05CV45 pending in the United States District Court of the Eastern District of Texas (Sherman Division). In its counterclaims, SanDisk alleged that ST infringed U.S. Patents 5,583,812 (the “812 patent”) and 5,719,808 (the “808 patent”).

49. The ‘812 patent resulted from various continuations-in-part and divisional applications going back to the June 8, 1988 patent application 07/204,175, from which it claimed priority. On information and belief, any invention disclosed in the June 8, 1988 patent application 07/204, 175 from which the ‘812 patent claims priority was conceived of or made, and the application was being prepared, while Harari was still a director of WSI.

50. The ‘808 patent resulted from various continuations-in-part and divisional applications going back to the April 13, 1989 patent application 07/337,566, from which it claimed priority. On information and belief, any invention disclosed in the April 13, 1989 patent application 07/337,566 from which the ‘808 patent claims priority was conceived of or made, and the application was being prepared, while Harari was still a director of WSI.

51. These applications and the patents which ultimately issued from these applications, should have been assigned to WSI and then to ST when it acquired WSI. ST has suffered substantial damage as a result of the assertion of these patents by SanDisk.

52. When ST began to defend itself in this suit, it, like its predecessor WSI, was unaware of Harari’s filing of the undisclosed patent applications in 1988 and 1989. During the course of preparing

its defense, ST slowly discovered the disparate facts from which it began to piece together Harari's conduct during and following his tenure as an employee, officer and director of WSI.

53. WSI, and later ST, were unaware of Harari's assignment of these patents and applications until well after SanDisk filed suit against ST in October 2004 because Harari had concealed his patent applications from WSI, despite his contractual and fiduciary obligations to disclose and/or assign them.

All of the causes of action asserted by ST in this action relate to this nucleus of facts. SanDisk is responsible for ST's damages based on its knowing exploitation or ratification of Harari's breach of contractual and fiduciary duties. *Bancroft-Whitney Co. v. Glen*, 64 Cal. 2d 327, 353 (1966) (finding unfair competition as a matter of law where defendant company "was aware of or ratified [other party's] breach of his fiduciary duties" and "cooperated . . . in . . . and . . . received the benefits of" the breach); *see also GAB Bus. Servs. v. Lindsey & Newsom Claim Servs.*, 83 Cal. App. 4th 409, 425 (2000) (similar), *overruled on other grounds by Reeves v. Hanlon*, 33 Cal. 4th 1140, 1154 (2004). Because Harari founded SanDisk and serves as its CEO, SanDisk had full knowledge of Harari's misappropriation. SanDisk thus ratified Harari's acts by accepting and benefiting from the patent assignments. *See also* 3 Witkin, SUMMARY OF CAL. LAW (10th ed. 2005) *Agency & Law* §§ 139, 141.

Discovery is currently ongoing and ST will supplement its response if it becomes aware of additional information responsive to this interrogatory.

FORM INTERROGATORY NO. 115.2:

State in detail the facts upon which you base your contention that you are not responsible, in whole or in part, for plaintiff's damages.

RESPONSE TO FORM INTERROGATORY NO. 115.2:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST objects to the phrase "you are not responsible, in whole or in part, for plaintiff's damages" as vague and ambiguous as used in this interrogatory. In particular, this interrogatory is unintelligible as directed to ST, because, as drafted, "you" and "plaintiff" appear to refer to different people, despite the fact that ST is the plaintiff.

Subject to, and without waiving its general and specific objections, ST responds as follows:
The interrogatory is unintelligible. ST is the plaintiff.

FORM INTERROGATORY NO. 115.3:

State the name, ADDRESS, and the telephone number of each PERSON, other than the PERSON asking this interrogatory, who is responsible, in whole or in part, for damages claimed in this action.

RESPONSE TO FORM INTERROGATORY NO. 115.3:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST objects to the phrase “damages claimed in this action” as vague and ambiguous as used in this interrogatory.

Subject to, and without waiving its general and specific objections, ST responds as follows:
ST incorporates by reference the Complaint it filed in this action on October 14, 2005. Discovery is currently ongoing and ST will supplement its response if it becomes aware of additional information responsive to this interrogatory.

FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 115.3:

Subject to, and without waiving, its general and specific objections, ST responds as follows:
ST currently believes that, in addition to SanDisk, at least Dr. Harari is responsible in whole or in part, for damages claimed in this action. Discovery is currently ongoing and ST will supplement its response if it becomes aware of any other individuals that it believes are responsible in whole or in part, for damages claimed in this action.

FORM INTERROGATORY NO. 150.1:

Identify all DOCUMENTS that are part of the agreement and for each state the name, ADDRESS, and telephone number of the PERSON who has each DOCUMENT.

RESPONSE TO FORM INTERROGATORY NO. 150.1:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it calls for the disclosure of information protected by the attorney-client privilege, work product doctrine, or any other applicable privilege. ST also objects to the term “agreement” as used in this

1 interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because
2 it is duplicative of at least Form Interrogatory 50.1 served by SanDisk on December 14, 2007.

3 Subject to, and without waiving its general and specific objections, ST responds as follows:
4 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
5 action on December 14, 2007.

6 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.1:**

7 Subject to, and without waiving, its general and specific objections, ST responds as follows:
8 ST identifies the documents attached as Exhibits A, B, and C to ST's complaint in this action, which
9 constitute the relevant agreements. These documents should at least be in the possession of Dr.
10 Harari, ST, counsel for ST, and counsel for Dr. Harari and SanDisk Corporation. Discovery is
11 ongoing and ST will supplement its response if it discovers other information relevant to this
12 response.

13 **FORM INTERROGATORY NO. 150.2:**

14 State each part of the agreement not in writing, the name, ADDRESS, and telephone number
15 of each PERSON agreeing to that provision, and the date that part of the agreement was made.

16 **RESPONSE TO FORM INTERROGATORY NO. 150.2:**

17 ST incorporates by reference its general objections, set forth above, and makes the following
18 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
19 calls for the disclosure of information protected by the attorney-client privilege, work product
20 doctrine, or any other applicable privilege. ST also objects to the term "agreement" as used in this
21 interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because
22 it is duplicative of at least Form Interrogatory 50.1 served by SanDisk on December 14, 2007.

23 Subject to, and without waiving its general and specific objections, ST responds as follows:
24 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
25 action on December 14, 2007.

26 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.2:**

27 Subject to, and without waiving, its general and specific objections, ST responds as follows:
28 ST does not currently believe that any part of the agreement is not in writing. Discovery is ongoing

1 and ST will supplement its response if it discovers other information relevant to this response.

2 **FORM INTERROGATORY NO. 150.3:**

3 Identify all DOCUMENTS that evidence each part of the agreement not in writing, and for
4 each state the name, ADDRESS, and telephone number of the PERSON who has each
5 DOCUMENT.

6 **RESPONSE TO FORM INTERROGATORY NO. 150.3:**

7 ST incorporates by reference its general objections, set forth above, and makes the following
8 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
9 calls for the disclosure of information protected by the attorney-client privilege, work product
10 doctrine, or any other applicable privilege. ST also objects to the term “agreement” as used in this
11 interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because
12 it is duplicative of at least Form Interrogatory 50.1 served by SanDisk on December 14, 2007.

13 Subject to, and without waiving its general and specific objections, ST responds as follows:
14 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
15 action on December 14, 2007.

16 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.3:**

17 Subject to, and without waiving, its general and specific objections, ST responds as follows:
18 ST does not currently believe that any part of the agreement is not in writing. Discovery is ongoing
19 and ST will supplement its response if it discovers other information relevant to this response.

20 **FORM INTERROGATORY NO. 150.4:**

21 Identify all DOCUMENTS that are part of each modification to the agreement, and for each
22 state the name, ADDRESS, and telephone number of the PERSON who has each DOCUMENT.

23 **RESPONSE TO FORM INTERROGATORY NO. 150.4:**

24 ST incorporates by reference its general objections, set forth above, and makes the following
25 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
26 calls for the disclosure of information protected by the attorney-client privilege, work product
27 doctrine, or any other applicable privilege. ST also objects to the term “agreement” as used in this
28 interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because

1 it is duplicative of at least Form Interrogatory 50.1 served by SanDisk on December 14, 2007.

2 Subject to, and without waiving its general and specific objections, ST responds as follows:
3 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
4 action on December 14, 2007.

5 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.4:**

6 Subject to, and without waiving, its general and specific objections, ST responds as follows:
7 ST does not currently believe that there are any modifications to the agreement. Discovery is
8 ongoing and ST will supplement its response if it discovers other information relevant to this
9 response.

10 **FORM INTERROGATORY NO. 150.5:**

11 State each modification not in writing, the date, and the name, ADDRESS, and telephone
12 number of the PERSON agreeing to the modification, and the date the modification was made.

13 **RESPONSE TO FORM INTERROGATORY NO. 150.5:**

14 ST incorporates by reference its general objections, set forth above, and makes the following
15 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
16 calls for the disclosure of information protected by the attorney-client privilege, work product
17 doctrine, or any other applicable privilege. ST also objects to the term “modification not in writing”
18 as used in this interrogatory as vague and ambiguous. ST further objects to this interrogatory as
19 harassing because it is duplicative of at least Form Interrogatory 50.1 served by SanDisk on
20 December 14, 2007.

21 Subject to, and without waiving its general and specific objections, ST responds as follows:
22 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
23 action on December 14, 2007.

24 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.5:**

25 Subject to, and without waiving, its general and specific objections, ST responds as follows:
26 ST does not currently believe that there are any modifications to the agreement. Discovery is
27 ongoing and ST will supplement its response if it discovers other information relevant to this
28 response.

1 **FORM INTERROGATORY NO. 150.6:**

2 Identify all DOCUMENTS that evidence each modification of the agreement not in writing
3 and for each state the name, ADDRESS, and telephone number of the PERSON who has each
4 DOCUMENT.

5 **RESPONSE TO FORM INTERROGATORY NO. 150.6:**

6 ST incorporates by reference its general objections, set forth above, and makes the following
7 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
8 calls for the disclosure of information protected by the attorney-client privilege, work product
9 doctrine, or any other applicable privilege. ST also objects to the term “modification of the
10 agreement not in writing” as used in this interrogatory as vague and ambiguous. ST further objects
11 to this interrogatory as harassing because it is duplicative of at least Form Interrogatory 50.1 served
12 by SanDisk on December 14, 2007.

13 Subject to, and without waiving its general and specific objections, ST responds as follows:
14 ST incorporates by reference its response to Form Interrogatory 50.1 served by SanDisk in this
15 action on December 14, 2007.

16 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.6:**

17 Subject to, and without waiving, its general and specific objections, ST responds as follows:
18 ST does not currently believe that there are any modifications to the agreement. Discovery is
19 ongoing and ST will supplement its response if it discovers other information relevant to this
20 response.

21 **FORM INTERROGATORY NO. 150.7:**

22 Describe and give the date of every act or omission that you claim is a breach of the
23 agreement.

24 **RESPONSE TO FORM INTERROGATORY NO. 150.7:**

25 ST incorporates by reference its general objections, set forth above, and makes the following
26 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
27 calls for the disclosure of information protected by the attorney-client privilege, work product
28 doctrine, or any other applicable privilege. ST also objects to the term “agreement” as used in this

1 interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because
2 it is duplicative of at least Form Interrogatory 50.2 served by SanDisk on December 14, 2007.

3 Subject to, and without waiving its general and specific objections, ST responds as follows:
4 ST incorporates by reference its response to Form Interrogatory 50.2 served by SanDisk in this
5 action on December 14, 2007.

6 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.7:**

7 Subject to, and without waiving, its general and specific objections, ST responds as follows:
8 Under the agreement, Dr. Harari had a duty to disclose and describe for WSI all inventions,
9 improvements, discoveries and technical developments, whether or not patentable, made or
10 conceived by him, either alone or with others, during the term of his employment as an employee,
11 officer, consultant and/or director of WSI. ST believes that Dr. Harari breached the agreement each
12 and every instance in which he had a duty to disclose or describe to WSI all inventions,
13 improvements, discoveries and technical developments, whether or not patentable, made or
14 conceived by him, either alone or with others, during the term of his employment as an employee,
15 officer, consultant and/or director of WSI, but failed to do so. Such instances include, but may not
16 be limited to: his filing of Patent Application 07/185,699 with the United States Patent and
17 Trademark Office on April 26, 1988, his filing of Patent Application 07/216,873 with the United
18 States Patent and Trademark Office on June 8, 1988, his filing of Patent Application 07/204,175
19 with the United States Patent and Trademark Office on July 8, 1988, his filing of Patent Application
20 07/323,779 with the United States Patent and Trademark Office on March 15, 1989, his filing of
21 Patent Applications 07/337,566 and 07/337,579 with the United States Patent and Trademark Office
22 on April 13, 1989, his filing of all related applications, and his subsequent assignment of the
23 aforementioned applications to SanDisk, even though these applications were automatically assigned
24 to WSI per the terms of the agreement. The dates of the acts constituting a breach of the agreement
25 may have occurred earlier than stated above, but thus far SanDisk has refused to provide ST with
26 critical information, such as when Dr. Harari conceived of the inventions disclosed in the patent
27 applications listed above. Finally, this response does not include additional duties to WSI that Dr.
28 Harari breached, such as the duties he owed to WSI as a fiduciary. Discovery is ongoing and ST

1 will supplement its response if it discovers other information relevant to this response.

2 **FORM INTERROGATORY NO. 150.8:**

3 Identify each agreement excused and state why performance was excused.

4 **RESPONSE TO FORM INTERROGATORY NO. 150.8:**

5 ST incorporates by reference its general objections, set forth above, and makes the following
6 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
7 calls for the disclosure of information protected by the attorney-client privilege, work product
8 doctrine, or any other applicable privilege. ST also objects to the terms “agreement” and “excused”
9 as used in this interrogatory as vague and ambiguous. ST further objects to this interrogatory as
10 harassing because it is duplicative of at least Form Interrogatory 50.3 served by SanDisk on
11 December 14, 2007.

12 Subject to, and without waiving its general and specific objections, ST responds as follows:
13 ST incorporates by reference its response to Form Interrogatory 50.3 served by SanDisk in this
14 action on December 14, 2007.

15 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.8:**

16 Subject to, and without waiving, its general and specific objections, ST responds as follows:
17 ST does not currently believe that any agreement was excused. Discovery is ongoing and ST will
18 supplement its response if it discovers other information relevant to this response.

19 **FORM INTERROGATORY NO. 150.9:**

20 Identify each agreement terminated by mutual agreement and state why it was terminated,
21 including dates.

22 **RESPONSE TO FORM INTERROGATORY NO. 150.9:**

23 ST incorporates by reference its general objections, set forth above, and makes the following
24 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
25 calls for the disclosure of information protected by the attorney-client privilege, work product
26 doctrine, or any other applicable privilege. ST also objects to the terms “agreement” and
27 “terminated” as used in this interrogatory as vague and ambiguous. ST further objects to this
28 interrogatory as harassing because it is duplicative of at least Form Interrogatory 50.4 served by

SanDisk on December 14, 2007.

Subject to, and without waiving its general and specific objections, ST responds as follows: ST incorporates by reference its response to Form Interrogatory 50.4 served by SanDisk in this action on December 14, 2007.

FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.9:

Subject to, and without waiving, its general and specific objections, ST responds as follows: ST is not presently aware of any agreement terminated by mutual agreement. Discovery is ongoing and ST will supplement its response if it discovers other information relevant to this response.

FORM INTERROGATORY NO. 150.10:

Identify each unenforceable agreement and state the facts upon which your answer is based.

RESPONSE TO FORM INTERROGATORY NO. 150.10:

ST incorporates by reference its general objections, set forth above, and makes the following additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it calls for the disclosure of information protected by the attorney-client privilege, work product doctrine, or any other applicable privilege. ST also objects to the term “agreement” as used in this interrogatory as vague and ambiguous. ST further objects to this interrogatory as harassing because it is duplicative of at least Form Interrogatory 50.5 served by SanDisk on December 14, 2007.

Subject to, and without waiving its general and specific objections, ST responds as follows: ST incorporates by reference its response to Form Interrogatory 50.5 served by SanDisk in this action on December 14, 2007.

FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.10:

Subject to, and without waiving, its general and specific objections, ST responds as follows: ST does not presently believe that any agreement is unenforceable. Discovery is ongoing and ST will supplement its response if it discovers other information relevant to this response.

FORM INTERROGATORY NO. 150.11:

Identify each ambiguous agreement and state the facts upon which your answer is based.

RESPONSE TO FORM INTERROGATORY NO. 150.11:

ST incorporates by reference its general objections, set forth above, and makes the following

1 additional objections to this interrogatory. ST objects to this interrogatory on the grounds that it
2 calls for the disclosure of information protected by the attorney-client privilege, work product
3 doctrine, or any other applicable privilege. ST also objects to the terms “agreement” and
4 “ambiguous” as used in this interrogatory as vague and ambiguous. ST further objects to this
5 interrogatory as harassing because it is duplicative of at least Form Interrogatory 50.6 served by
6 SanDisk on December 14, 2007.

7 Subject to, and without waiving its general and specific objections, ST responds as follows:
8 ST incorporates by reference its response to Form Interrogatory 50.6 served by SanDisk in this
9 action on December 14, 2007.

10 **FIRST SUPPLEMENTAL RESPONSE TO FORM INTERROGATORY NO. 150.11:**

11 Subject to, and without waiving, its general and specific objections, ST responds as follows:
12 ST does not presently believe that any agreement is ambiguous. Discovery is ongoing and ST will
13 supplement its response if it discovers other information relevant to this response.

14
15 Dated: April 7, 2008

SIDLEY AUSTIN LLP

16
17 By:

18 
19

20 _____
21 Teague I. Donahey
22 Attorneys for Plaintiff
23 STMicroelectronics, Inc.
24
25
26
27
28

VERIFICATION

In accordance with Cal. Code. of Civ. Pro. § 2030.250, on behalf of STMicroelectronics, Inc., I, Steven K. Rose, Vice President, Secretary, and General Counsel of STMicroelectronics, Inc., declare under penalty of perjury under the laws of the State of California, that the foregoing answers to interrogatories are, to the best of my knowledge, information and belief, founded upon reasonable inquiry, true, and correct.

Dated: April 4, 2008



Steven K. Rose

Exhibit J

Russell L. Johnson (SBN 053833)
Edward V. Anderson (SBN 083148)
Teague I. Donahey (SBN 197531)
SIDLEY AUSTIN LLP
555 California Street
San Francisco, California 94104
Telephone: (415) 772-1200
Facsimile: (415) 772-7400

James P. Bradley (SBN 056308)
Li Chen (*Pro Hac Vice*)
SIDLEY AUSTIN LLP
717 North Harwood
Dallas, Texas 75201
Telephone: (214) 981-3300
Facsimile: (214) 981-3400

Attorneys for Plaintiff
STMicroelectronics, Inc.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA CLARA

STMICROELECTRONICS, INC., a corporation

Plaintiff,

v.

ELIYAHOU HARARI, an individual;
SAN DISK CORPORATION, a corporation;
and DOES 1 through 20, inclusive,

Defendants.

Case No. 1-07-CV-080123

Complaint Filed: October 14, 2005
Trial Date: None Set
Judge: Honorable Neal A. Cabrinha

**REPLY IN SUPPORT OF ST'S MOTION
TO COMPEL DISCOVERY TO SANDISK
CORPORATION**

Date: April 18, 2008
Time: 10:00 a.m.
Place: Department 7
Judge: Hon. Socrates Manoukian

CONFORMED COPY

I. INTRODUCTION

For over two (2) years SanDisk has frustrated ST's efforts to advance this case. With the denial of certiorari by the California Supreme Court, Defendant's procedural maneuvers have finally been exhausted. But SanDisk is still impeding case progress by refusing to provide basic discovery. Defendant's Opposition mischaracterizes the record, ignores facts, and distorts precedent. ST submits this Reply to clear the record.

SanDisk argues the Court should deny ST's Motion because ST's Declaration does not specifically set forth Plaintiff's efforts to resolve the disputes through the meet and confer process. Importantly, SanDisk does not claim ST's meet and confer efforts were inadequate. It cannot. Over the past four (4) months, ST conferred with and wrote to SanDisk's counsel on approximately a dozen separate occasions to address ST's concerns with SanDisk's inadequate discovery responses. *See* Ex. 1-7.¹ ST brought this Motion only because its efforts were unsuccessful. No more can reasonably be expected from the meet and confer process. Remarkably, while SanDisk does not contest the fact that ST has met and conferred, it nonetheless asks the Court to deny ST's motion based on alleged technical deficiencies in ST's Declaration. SanDisk's arguments distort California precedent.

To promote private resolution of disputes, the Discovery Act requires the moving party to declare that he or she has made a serious attempt to obtain an informal resolution of each issue before bringing a motion to compel. *See, Stewart v. Colonial Western Agency, Inc.*, (2001) 87 Cal.App.4th 1006, 1016, 105 Cal. Rptr.2d 115. SanDisk argues ST's Declaration fails this standard. Defendant is mistaken. ST's Motion makes clear Plaintiff has made extensive efforts to informally

¹ *See, e.g.*, the following letters attached as Exhibits 1-7. Each detail SanDisk's discovery deficiencies and describe the on-going disputes between the parties that were the subject of several meet and confer teleconferences over the past four months: Exhibit 1 Letter from E. Anderson to M. Reed dated January 30, 2008 (also referencing teleconference between counsel on January 25, 2008 and prior discussions between lead counsel); Exhibit 2 Letter from L. Chen to M. Reed and B. Volkmer dated February 5, 2008 (also referencing teleconference between counsel on February 4, 2008); Exhibit 3 Letter from L. Chen to M. Reed and B. Volkmer dated February 11, 2008; Exhibit 4 Letter from L. Chen to M. Reed dated February 22, 2008 (also referencing teleconference between counsel on February 12, 2008); Exhibit 5 Letter from L. Chen to M. Reed and B. Volkmer dated March 11, 2008 (also referencing call scheduled for March 11, 2008); Exhibit 6 Letter from L. Chen to M. Reed and B. Volkmer dated March 11, 2008; and Exhibit 7 Letter from T. Donahey to M. Reed (also referencing teleconference on March 12, 2008).

1 resolve these discovery disputes: “Over the past few months, ST has conferred with SanDisk over
 2 half a dozen times through letters and telephone calls.” Plaintiff STMicroelectronics Inc’s Notice of
 3 Motion and Motion to Compel Discovery to SanDisk Corporation at 8. Similarly, ST’s Declaration
 4 specifically incorporates a February 15, 2008 letter from SanDisk’s counsel. The letter revealed
 5 ST’s efforts to secure a production schedule was futile, and it references another conference between
 6 the parties. The fact is ST has satisfied its meet and confer obligations. California law requires no
 7 more. *See, Stewart v. Colonial Western Agency, Inc* (2001) 87 Cal.App.4th 1006, 1016, 105 Cal.
 8 Rptr.2d 115; *Obregon v. Superior Court* (1998) 67 Cal.App.4th 424, 431, 79 Cal.Rptr.2d 62.

9 Unfortunately, the meet and confer argument is not the only instance where Defendant
 10 attempts to elevate form over substance. SanDisk also urges the Court to deny ST’s motion because
 11 ST does not cite to precedential authority in its briefing papers. While it is true that ST’s motion
 12 relies more on logic and reason than cases based on dissimilar facts, it is error for SanDisk to suggest
 13 this Court is now precluded from considering relevant authority. Section 451(a) of the California
 14 Evidence Code, by way of example, specifically states “Judicial notice shall be taken of . . . The
 15 decisional . . . law of this state . . .” More importantly, the Court need not rely on precedent to
 16 compel SanDisk to provide discovery responses. There can be no reasonable question about the
 17 Court’s power to control the conduct of discovery in its cases: *e.g.*, “Undoubtedly the discovery
 18 statute vest a wide discretion in the trial court in granting or denying discovery.” *Obregon v.*
 19 *Superior Court* (1998) 67 Cal.App.4th 424, 431 - 32, 79 Cal.Rptr.2d 62. Again, SanDisk’s
 20 contention to the contrary is unfounded.

21 **II. DISCUSSION**

22 **A. ST’s Requests for Admission are Clear, SanDisk’s Claim of Confusion is Not** 23 **Credible**

24 The ownership of numerous patents issued by the United States Patent and Trademark Office
 25 and by foreign authorities is at issue in this case. Approximately fifty (50) U.S. patents are currently
 26 encompassed by ST’s claims (the number is dynamic, as new patents are continuing to issue from
 27 the disputed applications). As Defendants are well aware, Plaintiff’s claim is based on the timing of
 28 Dr. Harari’s invention. If an invention was conceived when Dr. Harari owed WSI a contractual and

1 fiduciary duty to disclose and assign his inventions,² then ST is the rightful owner (whether sole or
2 joint) of all patents that flowed from the disputed patent application.

3 It is indisputable that Dr. Harari conceived many of the subject inventions while he was still
4 affiliated with WSI. But ST's claims also reach patent applications that Dr. Harari filed on
5 April 13, 1989, which is approximately a month after the effective date of Dr. Harari's resignation
6 from the Board. This is because although WSI's Board accepted Dr. Harari's resignation on
7 May 17, 1989, and backdated the effective date of the resignation to March 15, it did so without
8 being aware of Dr. Harari's secret patent filings. From April of 1988 through 1989, Dr. Harari filed
9 six (6) patent applications with the U.S. Patent Office. Not once did he disclose his patent filings to
10 WSI's Board. This questionable history increases the likelihood that Dr. Harari conceived the
11 inventions claimed in his April 13, 1989 applications while he was still affiliated with WSI. The
12 conception dates have important implications for these and other issues in the case, ST needs to
13 secure this information to prepare its case, and Dr. Harari and SanDisk are the only parties with this
14 information.

15 ST's Requests for Admission ask SanDisk to affirm Dr. Harari made certain claimed
16 inventions before March 15, 1989 (RFAs 4-6), and that the claimed inventions were not disclosed to
17 WSI prior to March 15, 1989 (RFAs 7-12). With respect to RFAs 4-6, Defendant previously stated
18 "SanDisk will respond to these requests with the understanding that word 'making' means
19 'conceived and/or reduced to practice' as those terms are used under federal patent law" See
20 *also*, Ex. 8 at 15-16 (Defendant applied this same definition of "making" in response to Document
21 Requests No. 15 & 16). This definition, which Defendant crafted for itself, is precisely what ST
22 meant by "made." It is what ST is asking SanDisk to apply. And it casts doubt on Defendant's
23 claims of confusion. But instead of answering these requests according to the definition crafted by
24 its own attorneys, SanDisk's responses focus on April 13, 1989, a time frame that is outside of and
25 not relevant to the RFAs. This is not sufficient. SanDisk should admit or deny RFAs 4-6.

26 It is similarly difficult to comprehend SanDisk's refusal to respond to RFAs 7-12. There is

27 ² To be clear, it is ST's position that the agreement between WSI and Dr. Harari operated to
28 automatically assign his inventions to WSI, and that his subsequent assignments to SanDisk amount
to additional breaches.

no one better positioned than Dr. Harari to state whether he disclosed his secret patent filings to WSI, and whether he made such alleged disclosures before March 15, 1989, the official date of his departure from the company. Remarkably, SanDisk's Opposition suggests Defendant has not even asked Dr. Harari whether he allegedly disclosed these secret filing activities to WSI. *See*, SanDisk's Opposition at 14 ("inquiring of Dr. Harari whether he disclosed the inventions to WSI prior to that date would not enable SanDisk to respond ... to these requests"). Instead, Defendant argues ST did not specifically direct the RFAs at Dr. Harari. But the fact that ST's RFAs are not limited to Dr. Harari does not excuse Defendant from its duty of inquiry. If either Dr. Harari or SanDisk contend they disclosed these filings to WSI before March 15, 1989, Defendant should have denied the RFA and explained that denial in response to Form Interrogatory 17.1. If Dr. Harari and SanDisk concealed these filings from WSI, then ST is entitled to at least a partial admission from SanDisk that Dr. Harari and SanDisk failed to disclose the secret filings to WSI before March 15, 1989 (*i.e.*, that Defendants concealed the filings from WSI).

ST's RFAs seek basic information that is critical to the development of this case. SanDisk's objections and arguments contradict Defendant's own positions and distort the requests. Defendant's continuing efforts to resist legitimate discovery is highly improper.

B. SanDisk's Interrogatory Answers have been Woefully Inadequate

SanDisk did not specifically object to ST's Motion to Compel further responses for Form Interrogatories 16.1, 17.1, 115.2, 116.1, & 116.6. It is not clear if the omission was an oversight or if SanDisk is implicitly acknowledging its need to supplement its responses. Importantly, SanDisk is not likely to have legitimate bases to support its continuing denial to provide discovery. The Court should compel SanDisk to provide meaningful responses to these Form Interrogatories, which would require Defendant to state, among other things, all facts upon which it bases: its contention that others, if any, contributed to ST's injuries; its refusal to give an unqualified admission in response to ST's RFAs; its contention that it is not responsible for ST's damages; or its contention that ST's claims of loss of earnings or income (as identified in the Complaint) is unreasonable.

Defendant re-raises on page 9 of its Opposition the notion that the parties did not confer on Form Interrogatories 16.2, 115.3, 150.6, 150.7, 150.9, and 150.11. Defendant is again mistaken.

1 Form Interrogatories 16.2, 115.3, 150.6, and 150.11 are virtually identical to Form Interrogatories
2 116.2, 16.1, 50.1, and 50.6, interrogatories on which the parties have specifically conferred.³

3 Form Interrogatory 15.1 asks SanDisk to state all facts upon which Defendant bases its denial
4 of a material allegation or a special or affirmative defense. Although SanDisk provided a 7-page
5 response, that response consists almost entirely of argument. Defendant's response does little to
6 address the information sought by this interrogatory, and the Court should compel SanDisk to
7 provide meaningful responses, rather than attorney argument.

8 Form Interrogatories 115.3 & 16.2⁴ ask Defendant to identify anyone else that is responsible
9 for the damages claimed in this case or the facts upon which Defendant bases its claim that ST was
10 not injured. SanDisk also refused to respond to these requests, choosing instead to hide behind
11 privilege and immunity claims. It is well settled, however, that a litigant cannot use privilege as both
12 a sword and a shield. If someone other than SanDisk is responsible for the damages claimed in the
13 action, it is difficult to see how privilege attaches to the identity of that individual (which
14 presumably includes Dr. Harari). Similarly, unless SanDisk is willing to forego its right to argue ST
15 has not been injured, it is difficult to understand how all facts relating to that argument could be
16 shielded by a privilege claim.

17 Form Interrogatories 12.3, 12.6, and 112.2-4⁵ ask SanDisk to identify the individuals that
18 provided or received a written or recorded statement concerning the claims in this case. Defendant
19 alleges this information is protected from discovery. SanDisk is mistaken. California law does not
20 permit a Defendant to shield the existence of relevant information under a claim of privilege. *See,*
21 *Lipton et al. v. Superior Court* (1996) 48 Cal.App.4th 1599, 1619, 56 Cal.Rptr.2d 341. Indeed, if
22 that were the case, no litigant would ever have to provide a privilege log. The fact that Defendant's
23 position is far afield is demonstrated by the authority on which it relies. In *Nacht & Lewis*

24 ³ Similarly, Form Interrogatories 150.7 and 150.9 are parallel to 50.2 and 50.4. Because ST's notes
25 and SanDisk's differ on whether interrogatories 50.2 and 50.4 were discussed, ST elected to omit
26 them from the Motion to Compel rather than debate the issue. ST now also withdraws
27 Interrogatories 150.7 and 150.9 from its Motion.

28 ⁴ Page 5 of ST's Motion to Compel contains a typographical error, twice referencing 16.1 instead of
addressing 16.1 & 16.2.

⁵ Counsel for SanDisk has acknowledged the need to supplement their response to Interrogatory No.
112.4 but have yet to do so. *See*, Dec. of Matthew R. Reed ISO Defendants' Opposition to ST's
Motion to Compel Discovery at ¶ 7.

1 *Architects*, the court specifically acknowledged “a list of potential witnesses who turned over to
2 counsel their independently prepared statements would have no tendency to reveal counsel’s
3 evaluation of the case . . . statements written or recorded independently by witnesses neither reflect
4 an attorney’s evaluation of the case nor constitute derivative material.” *Nacht & Lewis Architects,*
5 *Inc., et al. v. Superior Court* (1996) 47 Cal.App.4th 214, 217-18, 54 Cal.Rptr.2d 575.

6 The information sought by these interrogatories is directed to written statements from lay
7 witnesses, not counsel. Insofar as SanDisk claims privilege over those documents, it must provide a
8 privilege log that, at a minimum, identifies the parties involved in the communication, the date of the
9 document, and the subject matter to which the document pertains. *See, Lipton et al. v. Superior*
10 *Court* (1996) 48 Cal.App.4th 1599, 1619, 56 Cal.Rptr.2d 341 (“The party claiming the privilege has
11 the burden to show that the communication sought to be suppressed falls within the terms of the
12 claimed privilege.”). A blanket statement that there is no non-privileged information to provide is
13 inappropriate and improper.

14 Although Defendant provides preliminary responses to Form interrogatories 50.1, 50.3, 50.6,
15 150.1-9, and 150.11, which ask SanDisk to identify, among other things, any ambiguities, any
16 alleged breach or termination, and any obligations that were excused, there is no way for ST to
17 assess the adequacy of SanDisk’s response. This is problematic. By way of example, Defendant
18 appears to not have even asked Dr. Harari to answer straightforward questions before responding to
19 ST’s RFAs.

20 ST does not seek to “discover the details of SanDisk’s attorneys’ investigations of the case,”
21 but a Court Order compelling SanDisk to state all facts called for by these interrogatories by a date
22 certain (or be precluded from presenting such facts at a future date) would give ST the assurance that
23 SanDisk has performed the proper internal investigation. If SanDisk has in fact conducted a
24 reasonable inquiry, it could comply with such an Order with virtually no additional effort.

C. ST is being Prejudiced by SanDisk's Production Delays⁶

This case and ST's discovery requests have been pending for over two (2) years. SanDisk has taken extraordinary measures to delay and frustrate the progress of this suit, including pursuing every possible appeal and re-raising arguments of dubious merit – arguments that have been rejected by multiple courts. Although the case was stayed during Defendant's appeals, ST's discovery requests have been pending during this entire period, and there was never any question that SanDisk had to respond to these requests after exhausting its appeals. Defendant's discovery obligations continued, and it should have been diligent in preserving and collecting relevant information.

SanDisk knew it had to produce relevant documents from parallel litigation between the parties. It knew that under the applicable protective orders ST had to destroy the documents in its possession at the conclusion of those cases. These documents have been reviewed, processed, and produced by SanDisk in parallel proceedings. These documents were flagged by ST in multiple correspondence. And they should have been promptly produced after SanDisk exhausted its appeals. Instead, SanDisk waited three (3) months after its final appeal was rejected before producing any documents, and that initial production comprised a paltry 48,000 pages of mostly public documents. The production did not contain any of the litigation files that ST identified in prior correspondence.

Even at the time of that initial production Defendant had already identified approximately 2 million pages of relevant documents. Although Defendant slightly increased its production rate after numerous complaints from ST, things were still progressing at a snail's pace, and SanDisk would have taken another eighteen (18) months to conclude its initial production. Faced with the possibility of a 4-5 year delay before concluding discovery, and given Defendant's consistent refusal to provide a production schedule, ST was forced to seek relief from this Court. *Fuller et al. v. Superior Court* (2001) 87 Cal.App.4th 299, 306-37, 104 Cal.Rptr.2d 525 ("Plaintiffs are entitled to an expeditious and fair resolution of their civil claims without being subjected to unwarranted surprise. Among the myriad purposes of the civil discovery statutes is to safeguard against surprise

⁶ In a footnote, SanDisk argues ST's Motion is time-barred. But it cannot be reasonably argued that CCP 2031.310(c) has any applicability to this Motion. It applies to motions to compel further responses to RFPs. ST's Motion, however, is being brought pursuant to CCP 2031.320(a). ST acknowledges it referred to the wrong section in its opening Motion.

1 and gamesmanship, and to prevent delay.”).

2 SanDisk recently produced another 600,000 pages in a two (2) week period, and it compiled
3 and produced a sizable privilege log during that time.⁷ Significantly, this progress came only after
4 ST filed its Motion to Compel. Defendant argues its recent production volume demonstrates
5 SanDisk’s good faith and moots ST’s requested relief. Not so. The history of SanDisk’s discovery
6 conduct in this case, the remarkable positions that it has taken in response to ST’s RFAs and Form
7 Interrogatories, and the liberties that SanDisk continues to take with the facts and the law
8 demonstrate Defendant has little interest in cooperation. Indeed, SanDisk’s recent discovery
9 progress suggests it was well within Defendant’s means to be more forthcoming and responsive –
10 yet it chose to wait until ST filed its Motion to Compel.

11 ST has been prejudiced by SanDisk’s delay tactics. *Id.* at 306-37, 104 Cal.Rptr.2d 525. ST
12 intends to move the Court for an aggressive schedule, but the only way to accomplish this feat would
13 be to secure Defendant’s cooperation in discovery, whether voluntarily or through Court Order.
14 Indeed, until SanDisk’s production is substantially complete, ST cannot meaningfully depose key
15 witnesses in this case.

16 **III. CONCLUSION**

17 Dr. Harari breached his contractual and fiduciary duty to WSI when he concealed valuable
18 inventions from the company, filed patent applications for these inventions in secret, and assigned
19 the rights in many of the disputed patent applications and resulting patents to SanDisk when ST was
20 and continues to be the rightful owner (whether sole or joint). All of the disputed patent applications
21 were filed on or before April 13, 1989, before WSI accepted and backdated Dr. Harari’s resignation
22 from the Board, and most were filed by March 15, 1989, when Dr. Harari served as a WSI consultant
23 and Board member.

24 For close to twenty (20) years, Dr. Harari and SanDisk have conspired to fraudulently

25
26 ⁷ SanDisk’s privilege log runs 47 pages, but ST could not find a single entry that discloses Dr.
27 Harari’s engagement of his patent prosecution counsel. With respect to the entries that disclose
28 work involving draft patent applications, there is no identification of the application at issue, which
effectively precludes ST from assessing the completeness of SanDisk’s privilege entries. ST will
separately confer with SanDisk regarding the need to update its privilege descriptions, but the Court
should compel Defendant to complete its privilege log.

1 conceal his breaches of contractual and fiduciary duties to WSI. Approximately fifty (50) patents
2 have issued in the United States alone from these illicit activities, and Defendants have significantly
3 leveraged this portfolio to secure handsome profit. The 2 million pages of relevant documents
4 identified by SanDisk is a significant volume, but given the magnitude of the issue and the
5 significant passage of time, there is every reason to expect SanDisk will locate substantially more
6 documents and information as this case progresses. Allowing SanDisk to continue its questionable
7 discovery path will likely delay this case by a number of additional years and prompt an increasing
8 number of discovery battles. Defendant's conduct in this case has demonstrated SanDisk will not
9 voluntarily engage in discovery absent Court Order. The Court should Order SanDisk to produce all
10 relevant documents, complete its privilege log, and supplement its responses to the applicable
11 interrogatories and RFAs within a month of the Court's Order.

12
13 Dated: April 11, 2008

SIDLEY AUSTIN LLP

14
15 By: 

16 Teague J. Donahey
17 Attorneys for Plaintiff
18 STMicroelectronics, Inc.
19
20
21
22
23
24
25
26
27
28

Exhibit K



ORIGINAL
FILED

08 MAY -6 PM 1:56

RICHARD W. WIEKING
CLERK
U.S. DISTRICT COURT
NO. DIST. OF CALIF. S.J.

E-FILED

ADR

1 Michael A. Ladra, State Bar No. 064307 (mladra@wsgr.com)
2 Terry T. Johnson, State Bar No. 121569 (tjohnson@wsgr.com)
3 James C. Yoon, State Bar No. 177155 (jyoon@wsgr.com)
4 Matthew R. Reed, State Bar No. 196305 (mreed@wsgr.com)
5 WILSON SONSINI GOODRICH & PATTERSON
6 Professional Corporation
7 650 Page Mill Road
8 Palo Alto, CA 94304-1050
9 Telephone: (650) 493-9300
10 Facsimile: (650) 565-5100

11 Attorneys for Defendants
12 ELIYAHOU HARARI and
13 SANDISK CORPORATION
14

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

C08 02332 MMC

12 STMICROELECTRONICS, INC., a corporation)

CASE NO.:

13 Plaintiff,)

NOTICE OF REMOVAL

14 vs.)

15 ELIYAHOU HARARI, an individual;)
16 SANDISK CORPORATION, a corporation; and)
17 DOES 1 to 20, inclusive.)

17 Defendants.)

1 the statutory period. The motion was fully briefed, but on July 18, 2006, before resolution of
2 Defendants' motion, the Court remanded the action to Alameda County Superior Court based on
3 Plaintiff's request for reconsideration of the Court's prior order denying Plaintiff's motion to
4 remand.

5 6. On August 11, 2006, Defendants filed a motion to transfer venue to Santa Clara
6 County Superior Court. The Alameda County Superior Court denied the motion on September
7 12, 2006. On October 6, 2006, Defendants filed a Petition for Writ of Mandate regarding the
8 venue transfer order. On January 17, 2007, the Court of Appeal issued a writ, and on January 23,
9 2007, the Alameda Superior Court transferred the case to Santa Clara County Superior Court.

10 7. The Santa Clara County Superior Court held a case management conference on
11 December 4, 2007 and requested that Defendants file an early motion for summary adjudication
12 on the question of the statute of limitations.

13 8. Having successfully avoided judicial consideration of Defendants' statute of
14 limitations defense for almost two years, Plaintiff was soon to face the issue on the merits. In
15 light of the strength of the statute of limitations issue, and in an obvious attempt to rely on recent
16 Federal Circuit case law to circumvent Defendants' defense, Plaintiff recently indicated a change
17 in position on a substantial federal issue integral to its allegations. Throughout the entire history
18 of this case, the parties had not disputed that the terms of Defendant Harari's Employee
19 Agreement Regarding Confidentiality and Inventions, dated February 22, 1984 (the "Inventions
20 Agreement") constituted an agreement to assign (and not a present assignment). The parties'
21 dispute was focused instead on whether the Inventions Agreement provided Plaintiff the right to
22 demand assignment of the inventions at issue in this case. For example, Plaintiff stated to this
23 Court in opposition to Defendants' motion for summary judgment nearly two years ago that
24 "[u]nder the terms of the Inventions Agreement, Harari was obligated to assign his patent rights
25 to WSI [Plaintiff's predecessor in interest], but *only if* WSI chose, in its discretion, to seek
26 patents on Harari's inventions." Pltf's Opp'n to Defs' Mot. for Summary Judgment, filed
27 5/19/2006 at 19.
28

1 9. In a complete about-face, on April 7, 2008, Plaintiff changed its position on the
 2 interpretation of the Inventions Agreement, and for the first time indicated that, in its view,
 3 Harari's inventions "were automatically assigned to WSI per the terms of the agreement." Pltf's
 4 First Suppl. Resp. to Def. SanDisk's First Set of Form Interrogs. – Limited Civil Cases
 5 (Economic Litigation) at 25.¹ By interpreting the Inventions Agreement so as to effect an
 6 *automatic assignment* of Harari's inventions, Plaintiff changed its position one hundred and
 7 eighty degrees, and by so doing put at issue a substantial question of federal law.

8 10. The Federal Circuit recently stated that "the question of whether a patent
 9 assignment clause creates an automatic assignment or merely an obligation to assign is
 10 intimately bound up with the question of standing in patent cases. We have accordingly treated
 11 it as a matter of federal law." *DDB Technologies L.L.P. v. MLB Advanced Media, L.P.*, 517 F.3d
 12 1284, 1290 (Fed. Cir. 2008). In the present case, the federal question of whether the Inventions
 13 Agreement constitutes an automatic assignment or merely an obligation to assign is at the very
 14 core of Plaintiff's claims.

15 11. Removal is timely pursuant to 28 U.S.C. § 1446(b) because less than 30 days
 16 have elapsed since April 7, 2008, the date Plaintiff served the interrogatory response first
 17 indicating this substantial question of federal law. Therefore, this action may properly be
 18 removed to this Court under 28 U.S.C. § 1441.

19
 20
 21
 22
 23
 24
 25
 26 ¹ In a subsequent pleading with the Superior Court, Plaintiff reiterated its change of position
 27 on this issue by stating "[t]o be clear, it is ST's position that the agreement between WSI and
 28 Dr. Harari operated to automatically assign his inventions to WSI." Reply in Support of ST's
 Mot. to Compel Discovery to SanDisk Corporation, dated 4/11/2008, at 3 n.2.

INTRADISTRICT ASSIGNMENT

12. Pursuant to Civil Local Rule 3-2(c), this action may be assigned on a district-wide basis because this action falls in the category of an Intellectual Property action.

Dated: May 6, 2008

Respectfully submitted,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

By: 
Michael A. Ladra

Attorneys for Defendants
ELIYAHOU HARARI and
SANDISK CORPORATION

RUSSELL L. JOHNSON (SBN 53833)
rljohnson@sidley.com
EDWARD V. ANDERSON (SBN 83148)
evanderson@sidley.com
TEAGUE I. DONAHEY (SBN 197531)
tdonahey@sidley.com

SIDLEY AUSTIN LLP
555 California Street, Suite 2000
San Francisco, California 94104-1715
Telephone: 415-772-1200
Facsimile: 415-772-7400

Attorneys for Plaintiff
STMicroelectronics, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

STMICROELECTRONICS, INC.,
a Corporation,

Plaintiff,

vs.

ELIYAHOU HARARI, an individual;
SANDISK CORPORATION, a corporation;
and
DOES 1 TO 20, inclusive

Defendants.

) Case No. C 05-04691 JF

) Related Case No. C 08-02332 MMC

) **[PROPOSED] ORDER GRANTING**
) **PLAINTIFF STMICROELECTRONICS,**
) **INC.'S MOTION TO REMAND CASE TO**
) **STATE COURT**

) **Before: Hon. Jeremy Fogel**

) **Date: July 25, 2008**

) **Time: 9:00 a.m.**

) **Courtroom: 3**

) **MOTION TO SHORTEN TIME FILED**

1 Plaintiff STMicroelectronics, Inc. ("ST") moved pursuant to 28 U.S.C. § 1447(c): (1) to
2 remand this case to the Superior Court for the State of California, County of Santa Clara; and (2) for
3 an award to ST of its just costs and actual expenses, including attorneys fees, incurred as a result of
4 the removal.

5 After consideration of the papers submitted and all other matters presented to the Court, it is
6 hereby **ORDERED** that ST's motion is **GRANTED**, and that:

7 1. This case is forthwith remanded to the Superior Court for the State of California,
8 County of Santa Clara;

9 2. Defendants lacked an objectively reasonable basis for seeking removal, and therefore
10 ST is awarded its just costs and actual expenses, including attorneys fees, incurred as a result of the
11 removal; and

12 3. Within 10 days of the date of this order, ST shall submit an application for such costs
13 and expenses.

14
15 Dated: _____, 2008

16 _____
17 UNITED STATES DISTRICT JUDGE
18
19
20
21
22
23
24
25
26
27
28